Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rls7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada .... C$1.00	Japan Y600	Spain Pta145
Cyprus .... C£0.90	Jordan Fils.500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan .... NT$65
France FFr6.50	Malaysia ... Rin4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,586 — Monday July 11 1988 — D 8523 A

Why awful US trade figures may be good news, Page 11

World News

Iran to begin US censure move at UN tomorrow

Iran will launch a diplomatic offensive at the UN tomorrow, with the intention of inviting global censure of the US over the latter's shooting down of an Iranian airliner over the Gulf on July 3.

Iran has asked the council to condemn the destruction of the airliner, which killed the 290 people aboard. Page 3

More Soviet unrest

Big new demonstrations with strong nationalist undertones in Lithuania and the strife-torn southern republic of Armenia were reported by the official Soviet media. Page 2

Afghanistan toll

More than 150 civilians were killed or wounded in Afghanistan in the past two days as rebels stepped up attacks against the Kremlin-backed government, the Soviet newsagency Tass reported.

Palestinian killed

A Palestinian was shot dead in a clash with Israeli troops – the third such death in three days. A weekend strike paralysed the occupied West Bank and Gaza Strip.

Gurkhas accept formula

Gurkha separatist leaders in north-east India agreed with the Communist government of West Bengal a conditional peace formula which would give them limited local autonomy.

Rain falls on Midwest

More than an inch of rain fell yesterday on parts of the American Midwest, suffering from the worst drought in 50 years. Forecasters said it was too early to say if the drought was over. Cereal stocks at risk, Page 2

Israeli MPs in protest

Israeli parliamentarians on the far left and far right began a seven-day hunger strike outside Prime Minister Yitzhak Shamir's office to protest about a crisis in Israel's health care.

Chinese security drive

The Chinese Government, fearing widespread social unrest and a conservative backlash against reform, is launching a big public security drive. Page 3

Peronist nominee

Carlos Saul Menem, 56, a provincial governor has narrowly defeated his main rival, Mr Antonio Cafiero, 65, for the Peronist Party candidacy for Argentina's presidential elections next year. Page 3

Japan dumping charges

All Japan's 15 top exporters of daisy wheel computer printers are to be charged anti-dumping duties on their exports to the EC, worth $300m. Page 4

Pinochet attack

Chilean President Pinochet told a Santiago rally that the European Parliament's decision to send observers to the presidential plebiscite was an interference in Chilean affairs

Iraqi 'chemical attack'

Iran accused Iraq of launching two chemical attacks saying one person was killed and 150 injured in one of the raids on a camp for war refugees.

Senna's Silverstone win

Brazilian Ayrton Senna continued McLaren's domination of the world motor-racing championship with a crushing win in the rain-hit British grand prix at Silverstone. Britain's Nigel Mansell (Williams) finished second.

Teamster's leader dies

Jackie Presser, president of the US teamsters' union, who, with the union, had been charged with corruption, died of heart failure, aged 61. He had been suffering from cancer. Page 2

Business Summary

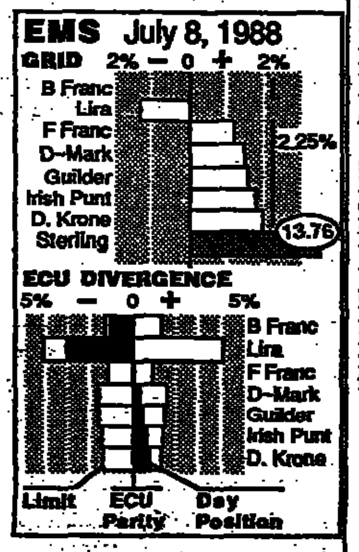
Siemens delivers new 4 megabit microchip

SIEMENS, West German electrical and electronics group, has delivered first samples of the only 4-megabit microchip made in Europe. Page 16. The German company increased sales 7 per cent to DM35.2bn ($19.3bn) from DM33bn in the first eight months of its year. Page 17

SGS-THOMSON, Italian-French semiconductor company, is to assemble memory chips at its Nancy, eastern France, plant using Japanese parts. Page 21

EUROPEAN Monetary System: The D-Mark finished weaker against the dollar last week despite higher interest rates in West Germany and the UK and uncertainty ahead of US trade figures. A fall in US unemployment in June revived the dollar's fortunes.

The Bundesbank continued to sell dollars, joined from time to time by the Bank of Italy. The D-Mark's earlier lack of movement against the dollar meant that other currencies finished broadly unchanged on the week within the EMS.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

OECD has agreed increase of 0.3 percentage points in minimum interest rates on official export credits. Page 2

EUROPEAN COMMISSION said Japan's 15 top exporters of daisy wheel computer printers are to be charged provisional anti-dumping duties of up to 43.2 per cent. Page 4

JAGUAR, UK car maker, increased first-half world sales 11.5 per cent, to 24,742 units. It expects a rise of 13 per cent for the year. Page 5

COMBUSTION ENGINEERING, US engineering group, is buying a 35 per cent stake in Derby-based International Combustion of the UK, wholly owned subsidiary of Northern Engineering Industries. Page 22

UK house price spiral in the south-east of England is a major factor in wage inflation and the widening trade gap, say three Oxford economists. Page 5

CONSERVERA CAMPOFRIO, Spanish meat concern, has joined Spanish stock market by announcing private placement of 10 per cent of its shares on the Madrid bourse. Page 21

BRITISH AEROSPACE may accept £250m ($428m) less in UK government aid on its proposed takeover of state-owned car maker Rover Group in return for concessions on other elements of the deal. Page 8

ST LOUIS, French sugar group, has declared a stake of more than 20 per cent in paper group Arjomari-Prioux. Page 21

ELLIS & GOLDSTEIN is expected to make a statement today on the £41m ($70m) contested cash bid from fellow UK clothing group Berkertex Holdings. Page 22

Mexican poll row erupts as Cárdenas claims victory

BY DAVID GARDNER IN MEXICO CITY

A DISPUTE which could threaten Mexico's political stability has erupted over the results of last week's election with Mr Cuauhtemoc Cárdenas, the left-wing nationalist leader, claiming victory against the ruling Institutional Revolutionary Party (PRI).

Mr Cárdenas on Saturday in effect said he was now the rightful president-elect, considering his coalition's own tally of Wednesday's results and "above all, on entirely credible information from inside the Government."

Mr Cárdenas said that he was "conscious of the transcendence and consequences" of his claim and warned the Government that if it "insists on consummating the fraud", this will be "technically equivalent to a coup d'état."

The PRI regime has held the presidency and all significant elective offices continuously since the end of the Mexican Revolution in 1917. The heavy support for the opposition in last week's elections has clearly broken this power monopoly, but nearly all analysts agree that for the PRI to surrender the presidency remains unthinkable.

By noon yesterday there were still no official results from the Federal Electoral Commission (CFE), which is headed by Mr Manuel Bartlett, Interior Minister. This has created a political vacuum which is undermining the PRI's presidential candidate, Mr Carlos Salinas de Gortari, former Planning Minister. The Commission said it would start releasing results yesterday afternoon.

On Friday Mr Salinas' aides released early figures which they said came from the CFE, showing their candidate had 47.4 per cent of the vote, against 26.7 per cent for Mr Cárdenas and 20.7 per cent for Mr Manuel Clouthier of the right wing National Action Party (PAN).

Mr Salinas said: "These results reflect real votes in the election", based on a count of 4.4m of 38m eligible voters.

Mr Cárdenas countered that these figures had been taken from districts which the PRI won, and that "the real figures are the ones we are providing." They are based on 6.7m votes counted by parties in his National Democratic Front (FDN) coalition and give Mr Cárdenas 38.8 per cent, Mr Salinas 32.3 per cent, and Mr Clouthier 29.2 per cent.

The Cárdenistas claim to be winning in nine (of 31) states and in Mexico City, and say the PAN and PRI are winning in five each, with the rest still not clear cut.

Mr Clouthier on Saturday began a "civil resistance" campaign against what he called the "electoral delinquents" of the regime. Around 100,000 PAN supporters demonstrated in Mexico City against "the election fraud."

Mr Cárdenas called on his supporters to "defend the vote of the people", during the final counting process which was due to be concluded yesterday. He warned the Government there would be no negotiations. "There will be no transactions with the popular vote," he said, adding that he would call for "peaceful mobilisation at the necessary time."

Mr Cárdenas' move opens every possibility of a constitutional crisis. For three days he had refused to make any formal claim of victory and had urged restraint on his supporters. His decision now appears to be part of a very calculated strategy to raise the stakes, and his credibility among Mexicans far outweighs the regime's.

He has plunged his knife into what he and many independent analysts believe to be growing fissures in the regime. Mr Salinas, handpicked by President Miguel de la Madrid, was not chosen by the PRI old guard, which tended to favour Mr Bartlett.

Vested interests inside the regime have already sought to weaken Mr Salinas so as to make him their prisoner, and block his plans to implement political and economic reform. On Wednesday, for instance, the powerful oil workers union was ordered to vote for Mr Cárdenas by its leader, Mr Joaquin Hernandez Galicia "La Quina" – the paradigm of a PRI powerbroker.

Mr Bartlett, who holds the ring into which Mr Cárdenas has flung his hat, has become the subject of widespread speculation in and outside the PRI. Some Salinas associates suspect he may also be undermining their candidate, though under any scenario, Mr Bartlett's job of producing a result simultaneously favourable to the regime and

Continued on Page 16

Editorial Comment, Page 14

EC ministers expected to back share disclosure rule

BY TIM DICKSON IN BRUSSELS

THE THREAT to European companies of surprise "raiders" should be lessened in future if, as seems likely, plans for the compulsory disclosure of share stakes exceeding 10 per cent are approved at a meeting in Brussels today.

The proposal – which lays down "minimum standards" but goes less far than those countries with their own rules or considering their own legislation – is expected to attract enough support at a meeting in Brussels of EC Economic and Finance Ministers to overcome staunch objections from West Germany and the Netherlands.

The issue of transparency in share dealings has been given added significance by the recent wave of European takeovers, and not least by the unsuccessful attempt by Mr Carlo De Benedetti, the Italian businessman, to win control of Société Générale de Belgique, Belgium's largest holding company.

Mr De Benedetti was able to build an 18.6 per cent stake in La Générale before disclosing his hand. The proposed EC directive was put forward in 1985. Far from being designed solely as an "anti-raider" device, it was prompted by the need for greater shareholder protection in the more integrated financial services market foreseen after 1992.

Under the plans to be put to today's Ecofin meeting, the onus will be on buyers to disclose a 10 per cent stake to the company, which in turn will have to pass on the information to the relevant regulatory authority and make it public within seven days. Additional "triggers" will be set at 20 per cent, 33⅓ per cent, 50 per cent, and 66⅔ per cent.

Only voting shares will be covered and, in what was an important clarification for Britain, professional market makers who have no intention of getting involved in the management of companies will be exempted. The rules will also apply to shareholders based outside the EC.

The strongest opposition has come from West Germany, where shares in public companies are concentrated heavily in the hands of the banks. The Netherlands has also voiced strong opposition, while Luxembourg is worried by the prospect that existing shareholdings of more than 10 per cent – as well as new ones – will have to be made public.

Even if all these member states were to vote against the proposal, diplomats and Commission officials are confident that there will be the necessary "qualified majority" for the Council to adopt a "common position". Final adoption will not take place until the European Parliament has given its Second Reading, and member states will then have two years to implement the requirements (three for Portugal).

Britain originally blocked the draft directive on technical grounds but has since lifted its reservations. Under UK law buyers have to disclose a minimum share stake of 5 per cent, as well as notifying each additional 1 per cent purchase.

Delors briefing on monetary union

Mr Jaques Delors, European Commission president, will today tell EC finance ministers in Brussels how he plans to steer the monetary union study committee set up in Hanover last month. Mr Delors will meet EC central bank governors at the Bank for International Settlements this evening and tomorrow. Page 2

BP to sell gold offshoot stake

BY KENNETH GOODING, MINING CORRESPONDENT, IN LONDON

BRITISH PETROLEUM plans to float between 15 per cent and 20 per cent of its subsidiary, BP Gold Company, on the New York Stock Exchange in the autumn to raise about $200m.

Most of the group's gold mining assets have been injected into BP Gold, which after the flotation is expected to have a market value of about $1bn.

BP sees the move not as part of its current asset-disposal programme to reduce debt but as a typical minerals industry action to spread some of the risks that mining inevitably involves.

At the same time it should draw investors' attention to the value of BP Minerals International, which brings together in one business stream all the group's minerals interests apart from oil, coal and gas. After several years of hefty losses, BP Minerals is now contributing a healthy profit.

BP Gold has proven and probable reserves totalling 28m ounces of gold, which the group believes are the second-largest known reserves in the North American industry after Newmont Gold, which has declared reserves of 30m ounces and a market capitalisation of $4.5bn. Newmont is controlled by Consolidated Gold Fields, the London-based mining and building materials group.

Included in BP Gold's portfolio is the gold from its Bingham Canyon copper mine in Utah, which has recently been modernised and is expected to produce 300,000 troy ounces of gold a year.

A collection of smaller North American gold mines is also included: Ridgeway in South Carolina, 52 per cent owned by BP and likely to produce 135,000 ounces annually; Rawhide in Nevada, 51 per cent owned and expected to produce 30,000 ounces a year; and Barney's Canyon,

Continued on Page 16

Kuwaiti's BP stake, Page 16

Kuwait puts pressure on US with Soviet arms deal

By Lionel Barber in Washington

KUWAIT has signed an arms deal with the Soviet Union in an effort to step up pressure on the US to approve a $1.9bn weapons package which includes F-18 fighter bombers and advanced missiles.

The arms deal with Moscow was signed in Kuwait at the weekend, just as the country's Prime Minister, Sheikh Saad al-Abdullah al-Sabah, was leaving for Washington to discuss his country's request for American arms.

Last year Kuwait persuaded the US to escort its oil tankers in the Gulf after making a similar request to the Soviet Union. The Moscow arms contract – though apparently small – suggests a similar willingness to play off the superpowers in advance of national interests.

During his tour to Washington this week Sheikh al-Abdullah is expected to seek reassurances from the Reagan Administration that it will not scale back its naval forces in the Gulf after last week's shooting down of an Iranian civil airliner.

The US arms package has run into stiff opposition in Congress, which has the power to block the deal. On Thursday, the US Senate voted to eliminate air-to-ground Maverick missiles, citing possible threats to Israel.

The Kuwaiti ambassador in Washington, Sheikh Saud Naser al-Sabah, responded that his country would not accept the US deal without the Mavericks. "We will never beg to obtain arms," he said in a weekend interview with the Kuwaiti press.

If the US arms package unravels, the Kuwaitis could turn to British-made Tornado and French-made Mirage jets.

Last week, Saudi Arabia signed a major arms deal with Britain worth up to $17bn to supply some 50 Tornados, 60 Hawk jets, 90 helicopters and six minehunters. The deal followed several rebuffs by the US Congress to Saudi requests for American arms.

● A senior Israeli official yesterday accused Britain of undermining the US-led Middle East peace process through the Saudi arms deal, Andrew Whitley adds from Jerusalem.

Mr Yossi Ben-Aharon, the hardline Director-General of the Prime Minister's office, told a conference in Jerusalem that the deal also threatened Israel's security.

Fire and winds hamper bid to cap Piper well

BY JAMES BUXTON IN EDINBURGH

THE OPERATION to salvage the remains of the devastated Piper-Alpha platform in the North Sea and cap the leaking oil wells was hampered yesterday by winds, heavy seas and the flare-up of another well fire.

Occidental, the operator of the platform, continued to face critical questioning about its approach to platform safety.

A team directed by Mr Red Adair, the veteran Texan oilfield fire and blow-out specialist, was still trying to gain control of the platform in order to extinguish the fires and cap the leaking oil wells. It will first have to clear the large amount of debris on the platform.

Although the two-man team directed by Mr Adair was able to make a start on removing debris from the platform on Saturday, their task was hampered yesterday by 20 to 30 knot winds which created heavy seas around the platform, which is smoking, covered in oil and sloping at a 45 degree angle. Late on Saturday night another well fire flared up, making work still more difficult.

The aim is to cap the wells using seawater, drilling mud or cement. If this is not possible Occidental might have to drill a relief well, and yesterday a drilling rig was being directed to Piper from another field in case this proved necessary.

Occidental came under strong pressure yesterday over reports in Scottish Sunday newspapers that some platform workers had complained of a strong smell of gas in the days before the explosion.

Mr John Brading, chief executive of Occidental in the UK, said a strong smell of gas would be extremely unlikely. It would normally have been reported to management onshore, but no reports had been made.

Over the weekend, Occidental refuted claims from a former senior employee that it had neglected to take steps to improve safety on the 12-year-old platform. Mr Jack Donaldson, the company's former loss prevention officer in the North Sea, criticised the company for not replacing one of the accommodation modules which was made of wood, and for not installing steel blast walls around the compression module after an explosion in 1984.

Mr Brading said the blast had been in the gas conservation module and that corrective measures had been taken. On the question of the wooden construction of one of the accommodation modules, the company pointed out that it was the location of the module that contributed to the disaster, not the form of its construction.

Mr Brading said yesterday he did not believe the forthcoming inquiries into the disaster would show Occidental's safety procedures to have been inadequate.

While churches in Aberdeen held services in memory of the 166 people who died in the fire on Piper-Alpha last Wednesday night, a further eight survivors were discharged from Aberdeen Royal Infirmary, leaving 14 still in hospital. A total of 64 people survived the disaster.

The Department of Energy last night named Lord Cullen, a judge at the Court of Session in Edinburgh, to head the forthcoming public inquiry.

Soviet managers blamed in Voskhod bank collapse

BY QUENTIN PEEL IN MOSCOW

DAMNING evidence has emerged in Moscow of the responsibility of Soviet managers for the collapse of the Voskhod Handelsbank, the Soviet Union's Swiss-based gold and currency-dealing bank, more than three years after it was declared bankrupt.

The evidence includes lists of expensive presents bought by the bank for the Soviet leadership of the day, including Mr Leonid Brezhnev, former secretary general, and Mr Viktor Grishin, the Moscow Communist Party chief.

It blames the sudden death in a Swiss hotel of the chief Soviet investigator on his mortal shock at the scale of the irregularities he uncovered.

The fresh evidence also reveals that Mr Yuri Karnaukh, the Soviet manager of the bank at the time, has been granted an amnesty by a Soviet court because he was a war invalid and also, improbably, because he had received state decorations for his work as a bank manager.

The evidence was published in the newspaper Sozialisticheskaya Industria, saying that the details

Continued on Page 16.

A sign of the times

There is one company above all others which can meet the ever changing demands and property requirements of today's progressive companies, the name is Hunting Gate. A substantial group of multi disciplined property development and investment companies: A group whose sustained quality of growth and success in the sectors of Commercial/Industrial Property Development, Design + Build, Residential Development and Property Investment is hard to compare.

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OVERSEAS NEWS

Delors to brief ministers on monetary study

BY DAVID BUCHAN IN BRUSSELS

MR JACQUES DELORS, the European Commission president, will brief EC finance ministers today on how he plans to steer the work of the controversial new committee set up to propose within a year further steps towards European monetary union.

EC leaders, in deciding last month at their Hanover summit to create the 17-strong monetary study committee headed by Mr Delors, the newly re-appointed Commission president, gave an overseeing role to their finance ministers. Besides being briefed on the start of the Delors committee's work, finance ministers will vet the committee's final proposals before they are submitted to EC leaders at the Madrid summit next June.

This is partly a sop to Britain's strongly-expressed preference for involving monetary "practitioners" like finance ministers, rather than leaving monetary proposals to those it regards suspiciously as armchair "idealists" like Mr Delors. In fact, there is a majority of practitioners on the committee, with 12 of the 17 members being central bank governors.

Initially, only 11 central bank governors were due to sit on the committee, with Luxembourg (which has a bilateral monetary union with Belgium) represented by the governor of the Belgian national bank. But Luxembourg has apparently decided it wants to be represented separately by its banking commissioner, its nearest equivalent to a central bank governor.

After meeting EC finance ministers at lunch today, Mr Delors is due to meet the EC central bank governors at the Bank for International Settlements (BIS) in Basle this evening and tomorrow. But his monetary study committee is not expected to hold its first formal meeting there because other committee members will be absent. They include Mr Frans Andriessen, the Commissioner in charge of agriculture, and a Spanish banker and a Danish academic economist.

When the committee does meet, it is expected to endorse Mr Delors's proposal that Mr Tommaso Padoa-Schioppa, formerly a Commission official and now a senior board member of the Banca d'Italia, should be the committee's secretary.

Central banks set to agree capital rules

By David Lascelles, Banking Editor

GOVERNORS from the world's leading central banks are expected to approve proposals for a new accord on bank capital today. The proposals will be considered by the governors at their regular monthly meeting at the Bank for International Settlements in Basle.

The accord, finalised by bank supervisory officials at a meeting 10 days ago, will lay down minimum capital adequacy requirements for all the world's major banks. It will be based on a common formula for measuring capital and bank capital ratios.

Although there have been some last-minute changes to the proposals put forward for public discussion last December, these are believed to be minor. Bank officials have said progress was good.

Details of the accord are expected to be announced shortly after the meeting. The measures will then be phased in, to be completed by 1992.

They mark a milestone in the international regulation of businesses, and are expected to give an impetus to similar measures for the securities business.

MOSCOW'S TROOPS MAY LEAVE HUNGARY

US cool on Soviet 'withdrawal' plan

BY LESLIE COLITT IN BERLIN AND LIONEL BARBER IN WASHINGTON

US OFFICIALS believe the Soviet Union may soon withdraw its 65,000 troops from Hungary, but they are playing down the implications of any such move for East-West relations.

Western diplomats say the withdrawal might be announced during the visit to Poland by Mr Mikhail Gorbachev, the Soviet leader, which starts today. Then again, an announcement could coincide with the visit to Washington by Mr Karoly Grosz, the new Hungarian leader, on July 27.

A senior US State Department official said there were "increasing indications" that Moscow may be preparing a unilateral withdrawal of the forces it has maintained in Hungary since it crushed the 1956 uprising there.

Mr Geza Kotai, a Hungarian party central committee official, concurred in a television interview with reports that Moscow was considering a unilateral withdrawal. US officials have commented that they would welcome a withdrawal but it would leave the Warsaw Pact's conventional forces in Europe with a 2:1 advantage over those of Nato.

Ms Phyllis Oakley, State Department spokeswoman, recalled that, after Moscow announced troop withdrawals from East Germany in 1983, it restored its forces to the same level within three years.

Rumours of a Soviet withdrawal from Hungary were intensified in May when Mr Janos Kadar, then party leader in Budapest, said Moscow's four tank and motorised rifle divisions would be pulled out of his country as soon as this was warranted by an improvement in East-West relations.

Western defence experts say Mr Gorbachev may also use his Polish trip, which is to culminate in a Warsaw Pact summit on Friday, to reaffirm, perhaps in a refined form, his proposals for agreed conventional force reductions in Europe.

His proposals on conventional arms, which focus on the withdrawal of 500,000 soldiers each by Nato and the Warsaw Pact, have fallen short so far of Western demands.

Bukharin restored to Soviet party

By Quentin Peel

NIKOLAI BUKHARIN and Alexei Rykov, two of the most important Bolshevik dissidents executed 50 years ago by Stalin, have been granted full political rehabilitation by the Soviet Communist Party.

The move, announced at the weekend, amounts to the most powerful confirmation yet of the new-found belief in a socialist pluralism of ideas within the ruling party. In terms of party ideology, and the willingness to allow real policy debate between members, the posthumous political gesture is more important than the judicial rehabilitation granted both men in February.

It is also important because much of Bukharin's political and economic thinking is close to that of Mr Mikhail Gorbachev, the Soviet leader, in the former's fierce opposition to the mass collectivisation of agriculture in the 1930s and his belief in the need to encourage small-scale enterprise and initiatives.

The party control commission restored to full party membership Bukharin and Rykov and five other party members convicted in the same show trial in 1937 of "terroristic and espionage activity, and acts of sabotage, anti-party conduct, slander and attacks on the party".

The commission also reconfirmed the membership of Mikhail Tomsky, the Bolshevik trade union leader, who committed suicide in 1936 after being accused of the same "rightist-Trotskyist" offences.

Tass reports on demonstrations in Lithuania and Armenia

BY QUENTIN PEEL IN MOSCOW

HUGE new demonstrations with strong nationalist undertones, this time in the Baltic state of Lithuania and the strife-torn southern republic of Armenia, are finally being reported by the official Soviet media, in an apparent concession by Moscow to the growing demands of its national minorities.

The Soviet authorities have also agreed that the trials for murder and rioting arising out of the race riots in the Azerbaijan town of Sumgait last February, when Azeri youths launched a virtual pogrom against Armenian residents, should be held outside Azerbaijan in Russian regional courts.

The concessions coincide with a continuing tough line against the mass demonstrations in the Armenian capital of Yerevan, where troops were again deployed on Friday night in the face of what Tass, the government news agency, admitted was a "mammoth meeting".

A tense calm seems to prevail in both Armenia and in the enclave of Nagorno-Karabakh, in neighbouring Azerbaijan, where the predominantly Armenian population is campaigning to be transferred to the authority of Yerevan.

On Saturday night, Tass reported that 100,000 people had gathered on the streets of Vilnius, the Lithuanian capital, to hear a report back from the extraordinary Communist Party conference in Moscow.

The official version was that the huge crowd "dissociated itself from nationalist and extremist elements".

At the same time, however, the organising group, called the Initiative Group in Support of Perestroika, showed its sympathy with the Armenian demands by calling for a referendum in Nagorno-Karabakh to decide the future of the region.

One of the major demands of the Armenian protesters has been that their demands should be given attention by Moscow, and the recent coverage by the *national television*, several national newspapers, and the government news agency, goes some way to meet that.

The decision to switch the Sumgait trials is another important concession, especially since the latest surge in protests dates from the trial of the first rioter. He was jailed for 15 years for murder, a sentence condemned in Armenia as too light, and in Azerbaijan as too heavy.

The national television has also given unusual attention to a story that factory workers in Armenia had been deliberately poisoned with impregnated overalls – rumoured in the republic to have been done by Azeris.

Drought 'puts cereal stocks at risk'

THE North American drought puts world cereal stocks at risk and could cause Third World food shortages, according to the Food and Agriculture Organisation, Reuter reports from Rome.

A July food report by the Rome-based UN agency said that, even if weather was normal for the rest of the season, US yields would still fall close to the low levels of 1983.

World cereal stocks this year are projected to fall to about 310m tonnes, or 17 per cent of global food consumption, the minimum the FAO thinks necessary for world food security.

More than an inch of rain fell on parts of the US Midwest yesterday, bringing some relief from the drought.

Confidence on grain

The US and the Soviet Union ended two days of grain talks in Vienna on Friday evening without reaching agreement but both sides remain confident that differences can be resolved before the current grain treaty expires on September 30, *Judy Dempsey* reports from Vienna.

The outstanding issues included differences over prices, supplies, Soviet exports and Soviet access to US ports.

Arms rules sought

Progress on halving the superpowers' long-range nuclear arsenals depends on rigid rules against cheating, including the right to inspect any naval ship for missiles, a Soviet official said *yesterday, Reuter reports* from Geneva.

Mr Alexei Obukhov, head of the Soviet arms control delegation, in Geneva for nuclear and space arms control talks with the US, said a successful strategic arms treaty depended on strict observance of the 1972 anti-ballistic missile treaty (ABM).

Angola negotiations

Preliminary talks were scheduled yesterday in New York in advance of US-brokered negotiations oFOREVISE n ending a civil war in Angola and granting independence to Namibia after 70 years of rule by Pretoria, Reuter reports from New York.

Participants in the four-party talks today will seek to turn commitment to the withdrawal of Cuban troops from Angola into agreement on a timetable.

Bomber 'defective'

Parts of the US B-1 bomber's electronic warfare system do not work and cannot be corrected without major changes, the Washington Post reported.

It said the flaws might be serious enough to force the Pentagon to alter the routes of possible bombing runs over the Soviet Union in a nuclear war.

Burma ends curfew

The Burmese authorities have lifted a night curfew and a ban on assemblies imposed in the wake of the student-led disturbances on June 21, Chit Tun reports from Rangoon.

The authorities have also released all 784 arrested and held since the rioting in June and the unrest in the Rangoon university campus last March.

Environment hopes

United Nations leaders and the heads of the World Bank and the IMF, meeting in Oslo at the weekend, agreed to seek an integrated approach to curbing deterioration of the environment as a means of promoting world development for the future, Karen Fossli reports from Oslo.

The main theme of the conference was a report by the World *Commission on Environment and* Development, headed by Norwegian Prime Minister Mrs Gro Harlem Brundtland.

Magistrate removed from Airbus crash inquiry

A FRENCH court has withdrawn an inquiry into the crash of a new Airbus from a top magistrate who raised questions about the role of civil aviation authorities in the probe, Reuter reports from Paris.

Judicial sources said yesterday that a court in the eastern city of Mulhouse had on Saturday taken investigating magistrate Mr Germain Sengelin off the inquiry into the June 26 crash.

Mr Sengelin had said the Transport Ministry and civil aviation board were too quick to pinpoint pilot error as the cause for the crash near Mulhouse, in which three people died.

Pilots' unions have complained that the authorities absolved the airliner's sophisticated computer-guidance system, one of its main selling points, before completing the inquiry.

The accident occurred when a three-day-old Air France Airbus A-320, pride of a four-nation European consortium, ploughed into a forest and exploded during a display at an air show.

Two inquiries were immediately set into motion, one by the civil aviation authority and one by the judiciary. They were to be based largely on the Airbus's two flight recorders.

But Mr Sengelin, Mulhouse's top investigating magistrate, complained that civil aviation officials left with the flight recorders instead of handing them to the judiciary as required by procedure rules.

"This was an error in procedure," Mr Sengelin told the Sunday newspaper Le Journal du Dimanche.

Anglo-German publicity plan

By Charles Hodgson

MRS Margaret Thatcher, the British Prime Minister, and Chancellor Helmut Kohl of West Germany have agreed on the need to publicise Anglo-German relations.

In wide-ranging informal talks at the weekend at Chequers, the Prime Minister's country residence, the two leaders concluded that the warmth of relations between the two countries was often undervalued, and that more should be done to get the message across.

The three-hour talks, characterised by Downing Street as "relaxed and very friendly", also covered the conclusions of the recent EC summit in Hanover and the Western economic summit in Toronto.

Jackie Presser, Teamsters' leader, dies at 61

JACKIE PRESSER, leader of 1.7m members of the International Brotherhood of Teamsters labour union, died late on Saturday of heart failure, Reuter reports from Cleveland, Ohio.

Mr Presser, 61, president of the union, had been charged with racketeering and embezzlement. Before he could come to trial he underwent cancer surgery early in 1987, losing a lung.

Mr Presser and two other union officials were indicted in 1986 by a federal grand jury, which said they engaged in racketeering "consisting of multiple acts of embezzlement" over a 10-year period. All three pleaded innocent.

The indictment alleged that Mr Presser's union branch made more than $700,000 (£410,000) in payments to "ghost" employees.

The Justice Department brought a suit last week against the Teamsters leadership under federal racketeering laws. The Government sought a court-appointed trustee to oversee the union's operations pending trial.

Alleging widespread corruption in the union and influence by Mafia figures, it sought a trustee to conduct new elections and review expenditure by the union board. Judge David Edelstein of Manhattan District Court rejected the request.

Born in Cleveland on August 6, 1926, Mr Presser rose in the Teamsters ranks with help from his father, William, a long-time Teamsters leader in Ohio, who was three times convicted of crimes.

Mr Presser had been treated in the past for cancer, heart problems and circulatory problems in Cleveland and in Phoenix, Arizona, the hospital statement said.

SHIPPING REPORT

Disasters cause oil market nervousness

BY LYNTON McLAIN

THERE WAS nervousness among shipbrokers that the shooting down of the Iranian airliner by a US warship in the Middle East Gulf could lead to retaliation, with an uncertain impact on the oil market.

The explosion on Occidental Petroleum's Piper Alpha oil platform in the North Sea hit the oil markets with an immediate loss of about 12 per cent of Britain's North Sea oil production.

The effect was a sharp rise in the price of crude oil, which must have come as "a welcome relief to the Organisation of Petroleum-Exporting Countries and may obviate the necessity to take any further steps (to raise prices) at the present time," said E.A. Gibson, the shipbroker.

Galbraith's, the shipbroker, said: "The North Sea will become a difficult area in the next few weeks, especially as Occidental has declared force majeure on all its Flotta crude oil." The broker said there was no shortage of crude oil, but Flotta crude was a "sour" grade and other suppliers, such as Iran and the Soviet Union, would hope to make some gains in due course.

Oil tanker markets as a whole showed an uplift in demand for very large crude carriers last week. Various vessels were chartered in the Middle East Gulf, mainly by private charterers, according to London brokers.

E.A. Gibson reported at the end of the week a ready market for small clean carriers from the Gulf with charter rates improving as demand picked up.

The West African market remained flat with almost no demand. A similar position dominated trade in the Mediterranean, with limited demand for tanker capacity. Demand in the Caribbean was a little more buoyant.

OECD to raise minimum interest on export credits

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE Organisation for Economic Co-operation and Development has agreed a new increase of 0.3 percentage points in minimum interest rates on official export credits.

The increase will bring the minimum rate on export credits to poorer developing countries to 8.3 per cent. Rates for middle-income countries will rise to 9.15 per cent for loans maturing in less than five years and 9.65 per cent for longer-term credits.

The new rates, applicable from July 15, were set as part of the regular OECD review of export credit rates and are designed to reflect developments in market rate levels for key currencies.

Since the last review in January, however, market rates have moved only marginally. The entire increase announced over the weekend is accounted for by last year's decision to raise rates and reduce subsidisation.

The new rate level for middle-income countries will all but eliminate subsidising for contracts financed in dollars, for which the OECD-determined market rate is currently 9.39 per cent. Subsidising will continue to be available in sterling, which carries an OECD-determined market rate of 10.3 per cent.

From this month the OECD has also abandoned its consensus rate on export credits to richer countries, which must now all carry market rates of interest.

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NOTICE TO HOLDERS OF

BORG-WARNER ACCEPTANCE CORPORATION

Name changed to

TRANSAMERICA COMMERCIAL FINANCE CORPORATION

5⅞% Notes Due 1991 ("Notes")

Borg-Warner Acceptance Corporation, a Delaware corporation ("BWAC"), was acquired by subsidiaries of Transamerica Financial Corporation, a Delaware corporation ("TFC"). BWAC has changed its name to Transamerica Commercial Finance Corporation ("TCFC") and TFC has guaranteed the payment of the principal, interest and premium, if any, on the Notes. In accordance with paragraph 13 of the Fiscal and Paying Agency Agreement relating to the Notes, on August 1, 1988 TCFC shall convene a meeting of the holders of the Notes at the office of Transamerica Commercial Finance Corporation, 225 North Michigan Avenue, Main Conference Room, 21st Floor, Chicago, Illinois, 10:00 a.m. local time, for the purpose of approving an amendment to the Fiscal and Paying Agency Agreement dated June 3, 1986 entered into between TCFC and Citibank, N.A. and the Notes that permits TCFC to transfer its obligations under the Notes, assign the benefit of the TFC guarantee and transfer the obligations and assign the rights of TCFC under said Fiscal and Paying Agency Agreement to BWAC One, Inc., a Delaware corporation ("BWAC One"). BWAC One is the direct subsidiary of TFC that was created by TFC to purchase, through its subsidiaries, all of the assets and business and undertake all the obligations and liabilities of TCFC.

If any holder of the Notes has any questions or desires to obtain the Information Statement prepared for the meeting setting forth further information concerning the proposed amendment and explaining the procedure for voting at the meeting, please contact Mr. Ian Kellow, Legal Counsel at Mitsubishi Finance International Limited, London, 1 King Street, London EC2V 8EB England, Telephone 606-0059, Telex 8954381 BISHFI G.

Dated: July 11, 1988

TRANSAMERICA COMMERCIAL FINANCE CORPORATION (*formerly Borg-Warner Acceptance Corporation*)

Iran to begin US censure moves at Security Council

BY LIONEL BARBER IN WASHINGTON

IRAN WILL launch a diplomatic offensive at the UN tomorrow, so as to invite global censure of the US for the downing of an Iranian airliner over the Gulf on July 3.

Mr Ali Akbar Velayati, Foreign Minister, left Tehran yesterday to head Iran's delegation to the UN Security Council. Iran has asked the council to condemn the destruction of the airliner, which killed the 290 people aboard.

Mr Vernon Walters, US ambassador to the UN, said the Reagan Administration would counter by pressing for enforcement of the ceasefire proposals for the Iran-Iraq war included in UN Security Council resolution 598 last year. "The way to stop these incidents is to stop the war," he said in a US television interview yesterday.

Mr Walters said the US deeply regretted the downing of the airliner but he repeatedly declined to applogise for the incident. Americans back by 3:1, according to polls, the decision by the US Navy captain to fire at the Iranian airliner because he thought it was an approaching fighter jet.

The ambassador pointed out that, a year ago, Iran had refused to recognise the Security Council as a forum for discussing ways to end the war.

The Iranian leaders have refrained so far from threatening acts of violence against the US, or Western hostages in Lebanon, preferring to use diplomatic channels. Mr Ali Akbar Hashemi Rafsanjani, the Iranian military chief, last week warned against a hasty Iranian response, saying "world opinion would turn against us."

Yesterday, however, Mr Mohammad Javad Larijani, Iranian Deputy Foreign Minister, told a news conference it was fruitless to speculate over diplomatic approaches until Washington had halted its hostilities towards Iran and withdrawn its warships from the Gulf.

Iran was counting on the Security Council, at its meeting on Tuesday, to condemn the US action but his country was keeping other options open, Mr Larijani added. "We prefer not to be hostile; we prefer to try to settle this matter diplomatically, but we are not naive," he said.

Lockheed fraud alleged on US defence projects

BY LOUISE KEHOE IN SAN FRANCISCO

ONE OF the largest US defence contractors, Lockheed Corporation, has been accused by "whistleblowers" of fraudulent billing and work practices on top-secret defence projects, adding a new twist to the growing US defence procurement scandal.

A lawsuit filed by one former and one current employee of Lockheed Missiles & Space, Silicon Valley's largest employer, alleges that the company overcharged the government by more than $10m for "black budget" projects, details of which are kept secret even from most members of Congress.

The suit was made public last week after being sealed for six months by the courts. It seeks damages and penalties on behalf of the US Government and the whistleblowers.

Allegations contained in the suit centre on the practice of assigning workers awaiting security clearance to work on black projects to "ice boxes", or separate facilities. It charges that these employees were given little or no work to do, but were told to charge their time to government contract projects for periods of several months.

According to the complaint, these employees ran personal businesses, including "selling real estate, stocks, diet foods, cosmetics, jewellery, magnets, belt buckles, (cable) TV, decoders, honey" and other products, "using Lockheed computers and charging their time to the US Government".

One Lockheed employee is said to have transcribed the entire Bible into a computer, while another is alleged to have had Lockheed machinists construct an airframe for his personal use at government expense.

Lockheed "very vigorously denies that false claims have been condoned by the company," the company said. "We are also very confident the suit, if it goes to trial, will show the company has not engaged in any improper practices."

If proved the charges could result in suspension of defence contracts, according to the plaintiff's lawyers.

The extent of the alleged fraud could eventually become much larger, the whistleblowers claim.

"We expect additional people are going to step forward and describe additional examples of fraud at Lockheed," their lawyer said.

Peronists choose Menem as candidate

By Gary Mead in Buenos Aires

MR CARLOS MENEM, 56, governor of La Rioja province, has narrowly defeated his main rival, Mr Antonio Cafiero, 65, for the Peronist Party candidacy in next year's presidential elections in Argentina.

Mr Menem's success comes as something of a surprise to many local pundits who, up to the day of the ballot, were predicting a narrow victory for Mr Cafiero. Mr Menem's grassroots popularity has gathered strength and vitality in the last few weeks.

With more than 80 per cent of the vote counted over the weekend, Mr Menem's support outstripped that for Mr Cafiero by 8 per cent. The ballot also supports Mr Eduardo Duhalde as Mr Menem's running mate for the vice-presidency.

Mr Cafiero, a former Economy Minister, conceded defeat just before midnight on Saturday, saying he would offer his services to Mr Menem's presidential campaign.

Mr Menem said he owed his triumph to "the poorest, the neediest, and the most humble" people of Argentina. He has said there was little difference between Mr Cafiero's politics and those of President Raul Alfonsin, of the Radical party. He described both men as social democrats.

In contrast, he has described his own stance as "anti-system" – against the establishment and for what he describes as revolutionary changes in government.

During his campaign, Mr Menem promised social reforms, including a halt to the Government's privatisation programme and wage increases for trade unions. He has also promised a moratorium on service of Argentina's $56bn (£33bn) foreign debt.

He has consistently identified himself with Peronist mythology, conducting a campaign of quasi-religious fervour and promising to place more power in the hands of Argentina's working class.

Aid for Nicaragua

CUBA HAS provided an emergency aid package worth $150m (£88m) to Nicaragua, Tim Coone reports from Managua. Over the next three years, Cuba is to donate 270,000 tonnes of oil to Nicaragua, equivalent to about 15 per cent of its annual requirement. Cuba is also to write off $50m owed to it by Nicaragua.

Taiwanese president advances pragmatists

BY BOB KING IN TAIPEI

MR LEE TENG-HUEI, Taiwan's president and chairman of the ruling Nationalist Party, appears to be moving swiftly to ensure that younger pragmatists have a larger voice in – if not control of – the party itself.

During the session on Saturday of the party's 13th national congress, he appointed 10 older members of the 31-member standing committee, which makes virtually all policy decisions, to the nearly toothless central advisory board. This makes them ineligible for future standing committee membership.

Yesterday, the Taiwan-born Mr Lee made public the names of 180 candidates he proposes for election to the central committee, which in turn will elect the standing committee on Thursday. The 1,209 delegates to the congress will propose another 180 people, meaning that two candidates will compete for every seat on the central committee.

Only 74 of the people put up by Mr Lee are from the present 150-member central committee, and their average age, 59½ years, is 10 years less than that of the current committee, which will step down after elections on Thursday.

In addition, 42 per cent of Mr Lee's candidates are Taiwan-born – a clear sign that the policy of Taiwanisation of the party and government, begun under former President Chiang Ching-kuo, will continue.

Mr Lee and his progressive colleagues are under great pressure from conservative factions as they strive to continue and accelerate the reforms and liberalisations begun under Mr Chiang, including detente with China, which will be discussed in plenary session tomorrow.

Most observers agree the president must ensure that younger pragmatists form a significant bloc in the party before reforms can proceed on their own merit, without regard for their effects on entrenched interests and traditional power groups.

UN plan to solve Afghan crisis

BY CHRISTINA LAMB IN ISLAMABAD

NEW proposals for a peaceful resolution of the Afghan crisis have been put forward by Mr Diego Cordovez, the special representative of the UN Secretary General.

At the end of a 12-day visit to Tehran, Kabul and Islamabad, Mr Cordovez appealed to all Afghan factions to lay down their arms from September 1 to allow a non-partisan national government to be set up in Kabul.

The main objective of this transitional government would be to convene a *loya jirga* (traditional assembly) of all sections of society by March 1, which would establish a broad-based government acceptable to all Afghan people by March 15, when the withdrawal of Soviet troops is to be completed.

Diego Cordovez: new peace proposals

According to Mr Cordovez, a ceasefire is needed to provide a six-month cooling-off period, enabling Afghans to return to their homeland and the international community to lend badly-needed humanitarian assistance.

Mr Cordovez's suggestions have been welcomed by Mr Pri Gailani, a moderate representing the seven-party resistance alliance. He said: "If they are sincerely implemented, these suggestions are good because if the PDPA [the present ruling party] is sincere in stepping down, it will never regain power. In fact, in the six-month ceasefire most Communists will flee to their dachas in Russia."

The fundamentalist leaders of the resistance were less happy with the idea, and angered by Mr Cordovez's rejection of the interim cabinet recently announced by the alliance. But before leaving Islamabad, Mr Cordovez warned: "At present, in the absence of a government founded on the broadest support of the Afghan people, existing political forces are seeking to assert their strength by engaging in military confrontation. But the Afghan population is tired of war and will increasingly reject such a course and those who advocate it."

China moves to fend off backlash against reform

BY ROBERT THOMSON IN PEKING

THE CHINESE Government, fearing widespread social unrest and a conservative backlash against reform, is launching a big public security drive and has directed newspapers not to publish information that underlines negative side-effects of the ambitious modernisation programme.

Official sources said that Communist Party leaders were concerned that they were losing control over society, following a spate of protests and industrial disputes. They are particularly worried by the prospect of demonstrations against reform, which they fear if the inflation rate continues to rise.

In a speech published at the weekend, Hu Qili, a senior Politburo member, told a gathering of propaganda officials: "We should make an adequate estimation of achievements in reform." His speech reflected orders, given privately in recent weeks to newspaper editors, that they had not given the achievements of reform "adequate" coverage and were failing to convince ordinary Chinese of its benefits.

As well as the propaganda drive, the Government is believed to be launching a crackdown against crime and is likely to execute hundreds of offenders in an attempt to preserve an image of order.

Last week, public security officials at a national conference were told that the reputation of reform had been tarnished by an increase in serious crime, and Wang Fang, Public Security Minister, warned of the threat of "possible turmoil" in society.

Italy unveils plan to cut energy imports

BY ALAN FRIEDMAN IN MILAN

ITALY's Industry Minister has unveiled an ambitious new draft "national energy plan" which is designed to reduce dependence on imported oil and gas and would cost L80,000bn ($59.1bn) over the next 15 years.

Italy currently relies on imports for 81 per cent of its annual energy requirement.

The plan, presented on Friday to Mr Ciriaco De Mita, the Prime Minister would allocate nearly half the total investment to energy-saving projects.

The main aim is to ensure that by the year 2000 Italy's energy imports will decline to 75 per cent of annual consumption. This is to be achieved in large part by developing domestic coal resources.

The question of whether to develop nuclear energy plants, a policy violently opposed by the Socialist Party of former Prime Minister Bettino Craxi, appears to be unresolved.

The plan would also call for a series of fiscal measures and would create a new energy secretariat in the industry ministry. The plan presented by Mr Adolfo Battaglia, Industry Minister, is to be examined by the Cabinet and the Treasury Ministry.

The plan is unlikely to be approved before the end of this month.

● Mr Umberto Nordio, the embattled chairman of Alitalia who was last week told that he no longer enjoys the confidednce of IRI, the state group which is his majority shareholder, was yesterday at the centre of a growing national political conbtroversy.

Mr Nordio, whose resignation is considered inevitable, had still not stepped down yesterday despite an explicit invitation to do so by IRI.

Meanwhile, domestic air travel in Italy grew increasingly chaotic at the weekend as numerous flights were hit by lengthy delays or cancellations.

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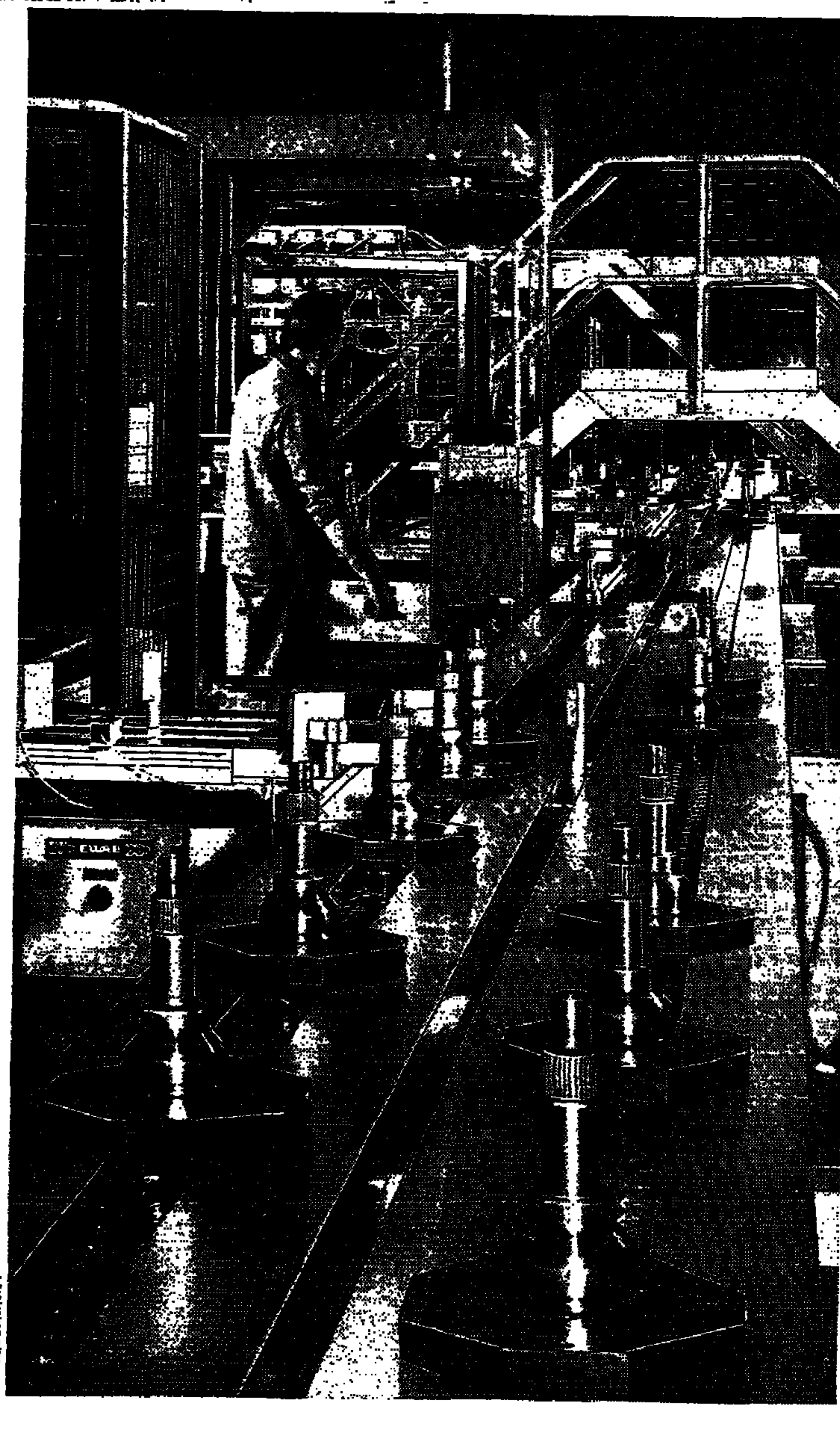

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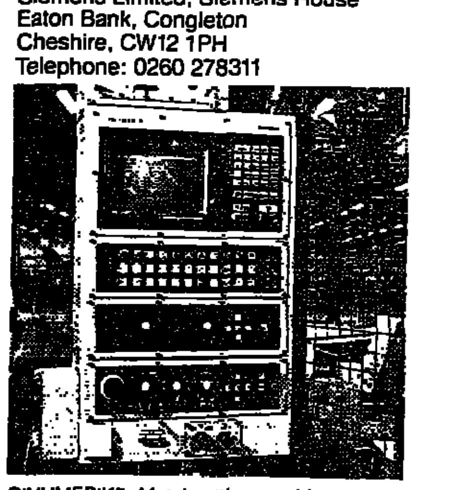

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July 11, 1988

National standards have hindered the growth of an international market, reports **Terry Dodsworth**

EC seeks to end parochialism in telecommunications

WHEN THE European Commission produced its ambitious blueprint for an integrated telecommunications market last year, it included a potentially controversial plan for a new standards-setting organisation.

It is a measure of the head of steam that has since gathered behind the Commission's proposals that this suggestion led to the formation of the European Telecommunications Standards Institute (ETSI), which had its first meeting in France last month.

The speed at which ETSI was born is a small miracle in an industry noted for its jealous parochialism. Standards have always been a tricky issue in telecommunications. On the one hand, they have been central to the creation of a worldwide telephone system; on the other, they have been ruthlessly used to foster national advantage and to exclude foreign competitors from local markets.

In Europe, this nationalistic organisation has been particularly evident. Standards-setting at a regional level has been in the hands of CEPT, a body which brings together the main telecommunications operators such as the West German Bundespost, the French Direction Générale des Télécommunications and British Telecom.

Each of these operators has been more involved in establishing local than regional standards. As the traditional regulatory authorities in their own countries – a role that is now being taken away from them – they have decided how their networks should be run and what sort of equipment can be connected to the system.

The result is that Europe's telecommunications system does not use standardised products or work easily together at all levels.

This affects industry and users in three ways. First, it denies telephone equipment manufacturers the economic advantages of producing for a large, homogeneous market; second, it frustrates the creation of new international services carried over the telephone lines; and third, it makes communications more time-consuming and less efficient for business users exchanging a lot of data.

On the equipment side, production is organised on mainly national lines, with each country sheltering a significant local switch and transmission company.

1992 THE EUROPEAN MARKET

In services, there are even more striking examples of how the establishment of local standards has undermined the growth of the market. For instance, each country has gone its own way in videotex systems, turning the market into what one observer calls "trench warfare" between the big national network companies.

Equally, the development of packet-switching, a crucial service in the growth of data and information networks, has been fraught with nationalistic in-fighting. This is theoretically a highly efficient way of distributing data, breaking down information into coded digital messages which make optimum use of available telephone lines; but it is estimated that the international packet-switched network in Europe has a failure rate of about 30 per cent, mainly because each country has created a national system which does not easily link into its counterparts.

In the early 1980s, under pressure from the Commission, there was an attempt in CEPT to iron out some of these problems and establish a more unified European approach. But CEPT never managed to get enough momentum behind its efforts, partly because it lacked permanent resources and partly because it remained largely a closed club of the national telephone operating companies. The organisation does not have an office of its own; it operates out of the headquarters of its different member companies.

The aim of ETSI is to step in where CEPT failed, to create Europe-wide standards. If the new organisation succeeds, it should mean a more hospitable environment, both for innovative equipment manufacturers and for providers of telephone data and information services of all kinds.

At the same time, it should be easier to expand in the world market, partly because of the stronger platform provided by the enlarged domestic European market and partly because ETSI intends to exercise its muscle in international standards-setting.

A good example of how this might work is in the new field of pan-European digital car telephones. The current generation of mobile cellular telephones is a splendid example of European market balkanisation, embracing a wide variety of equipment and transmission systems. The products work only in the national markets where they are sold and manufacturers cannot achieve large-scale production economies.

Under the planned pan-European digital mobile system, however, common standards have been agreed – at breakneck speed – for the entire region. Users will be able to use their telephones anywhere within the boundaries of Europe, there will be a common tariffing system, and equipment producers will compete on the quality of their products rather than on their political pull with the network operators. Ideally, this structure will also create some powerful European competitors in international markets.

Among ETSI's plans for tackling the weaknesses in standards setting are these:

- It will have a permanent director – Professor Diodato Gagliardi, from STET, the nationalised Italian telephone company – a staff of about 12 and its own building in the high-technology research zone of Sophia Antipolis, near Nice in France. This organisation will be supplemented by project teams to tackle specific issues. About 30 specialist workers are expected to join these teams in the first year, eventually building up to three times that number.
- Guaranteed funding for general operating costs and specific projects – estimated at Ecu 1.2m and Ecu 4.2m (£2.8m) respectively in the first year – will be provided from a variety of sources, including government departments, the telephone network companies and other member organisations.
- To speed up decision-making, the project teams will work full time, with periodic examination of key issues by technical committees headed by experts in their field. To prevent further logjams, a technical assembly bringing together the different national authorities will have the final say.
- The organisation *has* been thrown open to a wide body of about 100 members, including telecommunications manufacturers. The Commission has a unique category as a special adviser. Participants pay £8,000 a year and embrace foreign companies with a base in Europe.

Two principles underlie the open membership policy. First is the notion that ETSI must not be used to set up barriers around Europe. The idea is that the establishment of ETSI standards will strengthen Europe's voice in international standards-setting bodies, helping to mould their rules to the European pattern. This should in turn help to generate better trading prospects for European companies – but the quid pro quo is that Europe has to accept more competition.

Second is the feeling that liberalisation has made it more important for manufacturers to have some say in how standards are defined. One reason for this is that the umbilical cord that used to attach producers to the network operators is being severed. The manufacturers are therefore moving into a period where they have to finance more of their own research and thus take more of a risk.

At the same time, it is argued, specifications would be less open to individual interpretation and distortion if suppliers and customers sat down to write them together.

These rules all undoubtedly conform to the pattern of deregulation which the Commission is trying to imprint on western Europe. Indeed, if ETSI fails, it is hard to see how the Commission can succeed in the central liberalising thrust outlined in the Green Paper.

For example, the EC's directives aimed at eliminating the network operators' control over what kind of terminal equipment can be connected to their circuits will be bolstered by standards laid down by ETSI. Similarly, ETSI will be involved in issues such as development of a pan-European digital mobile system and the standards for new integrated voice and data networks.

After establishing the organisation so swiftly in the wake of the Green Paper, officials are naturally euphoric about its prospects. It could, on the other hand, be easily deflected from its main purpose by the widely conflicting interests of its members and other participants

ETSI's most important role will be to preserve a delicate balance between developing standards which make sense at a regional level for Europe, while not building a protective barrier around the market.

Dumping duties on Japanese daisy wheels

By William Dawkins in Brussels

ALL Japan's 15 top exporters of daisy wheel computer printers are to be charged provisional anti-dumping duties of between 12.4 per cent and 43.2 per cent on their exports to the European Community which are worth $300m (£176m).

The decision, announced by the European Commission at the weekend, comes six weeks after the imposition of duties on $1.3bn worth of Japanese dot matrix printers.

Both kinds of printer were developed for use with personal computers, but the more flexible and improving matrix machines are rapidly displacing daisy wheel printers.

Japanese exporters must take out bank guarantees for the amount of the provisional duty, until the fines are later confirmed by member states and become payable in cash. This will almost certainly lead to price rises.

The main companies affected include Seiko Epson, Brother Industries, Fujitsu and NEC, which are being charged 43.2 per cent duties. The lower 12.4 per cent rate applies to Tokyo Electric and Tokyo Juki Industrial, the only two companies to co-operate with the Commission's inquiries.

The two cases were triggered by linked complaints from the EC's four leading computer printer makers: Olivetti, the Italian offshoot of Honeywell Information Systems, Mannesmann Tally and Philips Kommunikations of West Germany.

According to the Commission, imports of Japanese daisy wheel printers climbed from 140,000 units in 1983 to 195,000 in 1986 – a rise in EC market share from 70 per cent to 74 per cent over the period. They were being sold at an average of 15 per cent less than EC prices and up to 58 per cent less than in Japan, the Commission estimates. EC producers' profits were hit and their ability to continue in what the Commission argues is a strategic part of information technology was jeopardised.

Eurotravellers' cash whittled away by money changers

BY WILLIAM DAWKINS IN BRUSSELS

THE COSTLY pitfalls in wait for holidaymakers changing cash into different European currencies were exposed yesterday by a leading European Community consumers' organisation.

A traveller setting out from the UK to the continent with £100 in his pocket would have little more than half left to spend after changing it, in turn, into each of the 10 main EC currencies, according to a study by Beuc, the bureau of European consumer unions.

The rest would be eaten up by currency changers' profits, spreads and commissions. This is a salutary warning, in the light of the European Commission's efforts to revive talks on a possible single European currency.

Beuc officials carried out the exercise by telephone, starting from Brussels with a notional BFr 40,000 (£618) and working clockwise through the EC via the UK, France and Spain, and back again.

They ended up with just BFr 21,300 – nearly 47 per cent less than they started with. Exchange costs on average were 2.5 per cent to 3 per cent a transaction, though the costs varied widely, up to an astounding 21.5 per cent for changing *D-Marks* into drachma, claims Beuc.

Few holidaymakers will want to change cash 10 times in one trip but the survey offers some practical warnings. Exchange rates and costs for the same transaction vary widely within countries, as well as between them, while the choice of payment among different kinds of cheques or cards has a big effect on charges and the ease of transaction.

Travellers wanting to change foreign cash into *D-Marks* in highly organised Germany, for instance, should get more or less the same rate, whether they do it at the airport or at the local bank, says the survey.

However, they will pay extra for changing foreign currency at Brussels, Paris and London airports, and they should shop around among local banks

A British traveller would probably get more D-Marks, French francs and Spanish pesetas for sterling at a bank in the UK than abroad, but would do better to buy other European currencies at the holiday destination, reckons the survey.

As for methods of payment, Beuc recommends credit cards and travellers' cheques for security and convenience. Overall, though, the traditional postal cheque came out as the cheapest and safest method of payment.

Holiday Money; Beuc, Rue Royale 29, boite 3, B-1000 Brussels, Belgium; BFr300 (£4.60).

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

	May '88	Apr.'88	Mar.'88	May '87
USA 000's	6,783.0	6,610.0	6,801.0	7,573.0
%	5.6	5.4	5.6	6.3
UK 000's	2,426.9	2,536.0	2,592.1	2,986.4
%	8.7	9.1	9.3	10.7
Japan 000's	1,540.0	1,570.0	1,620.0	1,910.0
%	2.5	2.6	2.6	3.2
	Apr.'88	Mar.'88	Feb.'88	Apr.'87
W. Germany 000's	2,261.7	2,440.1	2,516.5	2,215.9
%	8.2	8.9	9.2	8.1
Netherlands 000's	663.9	686.9	700.7	667.6
%	11.6	12.0	12.2	11.6
Belgium 000's	443.2	458.5	476.1	482.2
%	10.8	11.1	11.6	11.7
France 000's	2,478.1	2,547.8	2,634.8	2,592.7
%	10.6	10.9	11.2	11.1
Italy 000's	3,624.0	3,635.0	3,640.0	3,218.3
%	15.6	15.7	15.7	13.5

Source: (except US, UK, Japan) Eurostat

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NSM (formerly Burnett & Hallamshire) is now, as a result of its reorganisation this year, one of the largest private opencast coal contractors in the United Kingdom.

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D.T. Carr *Chairman, and Chief Executive from 1st August 1988 (formerly a Group Managing Director of Tarmac PLC)*

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House price rises 'could thwart war on inflation'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE GOVERNMENT'S refusal to tackle distortions in the housing market might prevent it from reducing inflation to the levels of Britain's main European competitors, according to a study published today.

The study, by three Oxford economists, identifies spiralling house prices in the south-east as an important factor in accelerating wage inflation. They have also contributed to the sharp widening of Britain's trade gap by providing the basis for a rapid growth in consumer spending.

It adds that much of the impetus for the housing boom can be tracked to the generous tax incentives, particularly mortgage interest relief, provided by the Government for owner-occupiers. The replacement of domestic rates by the poll tax is likely to worsen the problem.

Those conclusions, which are broadly shared by many of the Government's own senior economists, are likely to intensify pressure on the Treasury to review the whole system of domestic property taxes. Officials, however, concede that they are unlikely to be able to persuade Mrs Margaret Thatcher, the Prime Minister, to curb tax benefits for owner-occupiers.

The report's authors, Olympia Bover, John Muellbauer and Anthony Murphy, argue that the fiscal bias in favour of owner-occupation has greatly raised the return on housing investment relative to that likely in a neutral tax system.

In the south-east, the result has been a "mobility trap," restricting the flow of workers from the region and limiting access to migrants from other parts of the country. That in turn has exacerbated upward pressure in wages in the south-east and contributed to the Britain's relatively poor performance in reducing inflation.

In parallel, the coincidence of sharp rises in house prices and the dismantling of credit controls has pushed up consumer spending and imports. The results of the study, the authors conclude, "emphasise the hazards of liberalising financial markets while enormous fiscal distortions remain in place."

Housing, Wages and UK Labour Markets. Centre for Economic Policy Research, 6 Duke of York Street, London SW1Y 6LA. £2

Privatised industries 'need consumer protection laws'

BY DAVID CHURCHILL

PRIVATISATION of state-owned monopolies has not automatically improved standards of service, according to Mrs Sally Oppenheim-Barnes, chairman of the National Consumer Council.

Sally Oppenheim-Barnes: Call for robust regulation

Mrs Oppenheim-Barnes said at the annual consumer congress in Newcastle yesterday that "poor management and bad working practices do not disappear overnight."

Mrs Oppenheim-Barnes, a former Conservative minister for consumer affairs, said: "We have said clearly to the Government that unless and until it is adequately regulated, simply moving a monopoly from the public to the private sector does little or nothing for its consumers."

The NCC was concerned about plans to privatise the electricity and water supply industries without measures to protect consumers.

She said: "Robust regulation of the privatised industry will be needed if consumers are not to be faced with rising prices and falling standards."

Mrs Oppenheim-Barnes said she called private and public monopolies the "black market," since consumer power was so limited.

The "white" market, however, was typified by high street shops where competition was unfettered and consumers were protected by a framework of laws.

In between was what she called the "grey" market where restrictions meant higher prices and a limited choice.

For example, food cost more than it should because of EC agricultural policy, beer and petrol were affected by supplier-retailer restrictions, and motor vehicles and clothes were overpriced because of import restrictions.

Mrs Oppenheim-Barnes said as much as half of family expenditure could be in the black and grey markets.

She said: "Anything we can do to reduce the size of the grey and black markets by introducing more competition must have overwhelming benefits for consumers and the whole economy."

BR to disclose options for Channel tunnel rail update

BY LYNTON McLAIN

BRITISH RAIL is to publish options for improving the rail route to the Channel tunnel which is to open in 1993.

A report due to be published on Thursday covers options for increasing the capacity of the tunnel and train seat and terminal capacity from the mid 1990s, after BR will have had experience of traffic generated by the tunnel.

The possibilities include stretches of new, high-speed rail line using purpose-designed trains. The decision on whether to go ahead will be determined by the profitability of the options being considered.

The present British Rail links to the Channel will provide rail capacity to handle all the traffic BR expects to get when the tunnel opens.

The report will be sent to Mr Paul Channon, Transport Secretary. British Rail is in dispute with Mr Channon over what Sir Robert Reid, chairman of the British Rail Board, said last week was an "unresolved problem".

This concerns insistence by the Government that customs facilities for passengers using the Channel tunnel must be at the terminus. BR is planning to spend £20m on the international passenger terminus to be built at Waterloo Station but it wants customs formalities to be carried out on the trains.

Sir Robert said last week that time was running out on the issue. He said the expected delay of half an hour for customs in the terminal "undermines the competitiveness of the Channel tunnel journey time".

Skill shortage, Page 8

MIM BRITANNIA UNIT TRUST MANAGERS LIMITED

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Britannia Arrow Energy Trust
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MIM BRITANNIA

As a result of the passing of Extraordinary Resolutions by the unitholders of the above Trusts at separate meetings, the Scheme became effective on 2nd July, 1988. The terms of exchange of units of Britannia Arrow Energy Trust for units of MIM Britannia Universal Energy Trust is as follows:–

1 Unit of Britannia Arrow Energy Trust – 0.91725 "C" Units of MIM Britannia Universal Energy Trust.

Replacement certificates will be despatched not later than 1st September, 1988 to the former holders of Units of Britannia Arrow Energy Trust.

Communications agency buys into French group

By David Cohen

DEWE ROGERSON, the international financial and corporate communications company, is to acquire 50.1 per cent of the private French communications agency FRI Group for £500,000.

A rights issue in FRI will reduce the stake of the present controlling shareholder, Worms & Cie, to about 40 per cent.

The move gives Dewe a foothold in the French market to add to its operations in the UK, USA, Japan and Australia. Previously, Dewe has expanded by starting up its own offices.

FRI announced profits of £200,000 in its most recent financial year. Its clients include the French Treasury, Fiat and BSN.

Dewe has been appointed to handle the public relations and marketing for the flotation of the water boards scheduled for around November 1989.

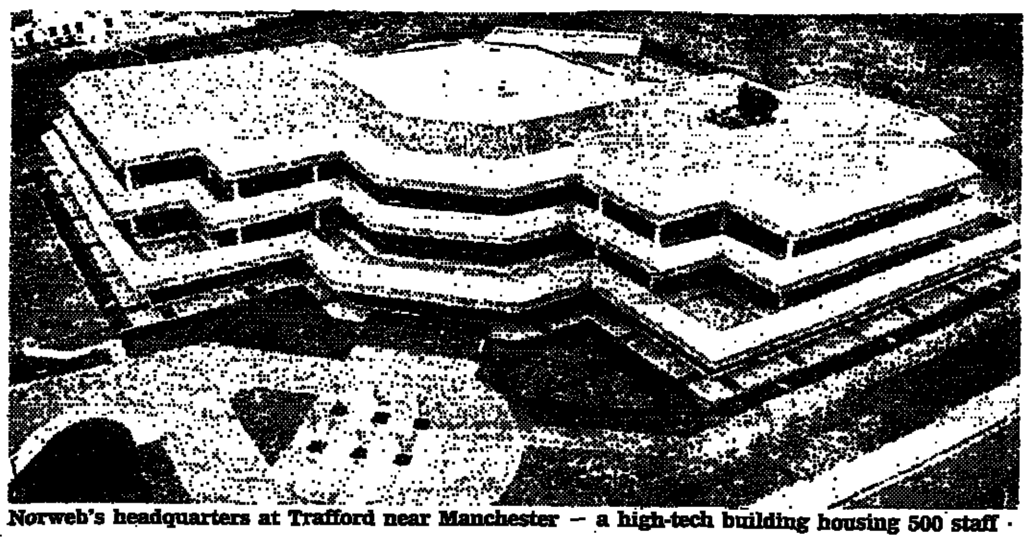
Ian Hamilton Fazey ends a series on electricity boards preparing for privatisation with a look at Norweb

Showrooms that became a power in the marketplace

IF PRIVATISATION holds any terrors for the North West Electricity Board, competition is not one of them. Over the past decade, Norweb has been growing increasingly effective in the high streets of Greater Manchester and beyond.

The attitudes and disciplines involved have been embraced by all departments. If there is not a Currys, Comet or Rumbelows store to fight, the enemy might just as well as be Britain's other electricity boards.

The urge to be first shows even in matters such as an attempt to have the name and people of Norweb mentioned more frequently than those of any other board in Circuit News, the industry's monthly newspaper. But its achievements in the high street illustrate the competitive point best.



Norweb's headquarters at Trafford near Manchester – a high-tech building housing 500 staff

Ten years ago Norweb's image as a place to buy such goods as refrigerators, washing machines and electric fires was that of a "nationalised corner shop" – uncompetitive on price, bureaucratic, slow, serviced by an undertrained sales force and lacking the powerful advertising images associated with private-sector rivals.

It was a sideshow, tacked on to the main business of selling the power itself. But, like all the boards, Norweb had an unrivalled network of high street locations, outnumbering any of the rival chains three or four times.

Norweb has exploited that advantage with innovative marketing techniques which other boards have since copied. Mr Berr Hastings, Norweb's chairman, says the board has 20 per cent of the high street white goods market in the area.

The board supplies all of the north-west except Merseyside and Cheshire, which comes under the Merseyside and North Wales Electricity Board, Manweb, which Mr Hastings used to chair.

Coupled with evening-paper advertisements, television campaigns have pulled in shoppers. Once they are in the showrooms, better-trained staff, easy credit and simple methods of payment have won the orders.

Information technology plays a key role: Norweb has the name and address of every local electricity user on its computer. Terminals in every showroom enable credit status to be checked instantly.

Five years ago, Norweb pioneered the Buy Now Pay Later schemes which enticed customers to order goods for immediate installation but deferred repayments for several months, when they came hidden in the electricity bill. Norweb also pioneered free extended guarantees on goods.

Mr Hastings says: "When it started, everyone said we were mad, that bad debts would sink the scheme. Now they all do it."

In 1986-87, the last year for which there are published accounts, Norweb sold £91m of appliances out of a total turnover of £1bn. The profit was £6.4m out of an overall operating profit of £34m.

Even allowing for the confusing effect of the industry's current cost accounting, appliances returned 7 per cent on sales, rather than less than 6 per cent for the ratio overall.

Mr Hastings, who came into the industry having been head of industrial engineering at Mullard, the Philips electronics subsidiary, says he expects an 8 per cent increase in sales in 1988-89.

This year's sales drive is centred on dishwashers, as well as "brown" goods such as ovens and fires – where Norweb has only a 5 per cent share. Television is considered ripe for development – the operation is small and franchised. In addition a privatised Norweb has ambitions to take on the rental groups – the latter ambition influenced by developments in satellite television and the video markets.

Norweb's customer service department, the main link with the buying public, is a telephone operation in Bolton and is fully computerised. The average time taken to deal with a query is now less than a minute.

The benefits arise in the marketplace and internally. As Mr Hastings puts it: "We have been able to abolish the typing pool in many places because no one writes in any more."

None the less, domestic electricity sales are falling by 0.9 per cent a year. Fortunately for Norweb, the Greater Manchester economy is boosting industrial and commercial sales by an annual 5 per cent and these account for three fifths of sales by volume.

Mr Hastings says that, after privatisation, the price Norweb pays for the power it retails will be crucial. "The power contracts will make or break us," he says.

North West Electricity

1986-87	
Customers	2.05m
Employees	8,220
Sales: Total	£1.02bn
Other	£91m
Operating profit	£34m
Net return on assets (CCA basis)	3.9%

However, Norweb is making some provision for the post-privatisation future: since April it has owned the output of the Chapelcross Magnox nuclear power station in Scotland, run privately by British Nuclear Fuels.

With the new Torness advanced gas-cooled nuclear station about to come on stream, Chapelcross faced redundancy except at periods of peak demand and BNFL could not afford to keep it working on that basis. The station has replaced about 5 per cent of the power Norweb previously purchased exclusively from the Central Electricity Generating Board.

Mr Hastings's team appears weak only in financial and treasury management. As a cash-rich nationalised industry that simply passed on money to the Government, there has been no need for such specialists. Mr Hastings intends to have plugged the specialist gap by the time of flotation.

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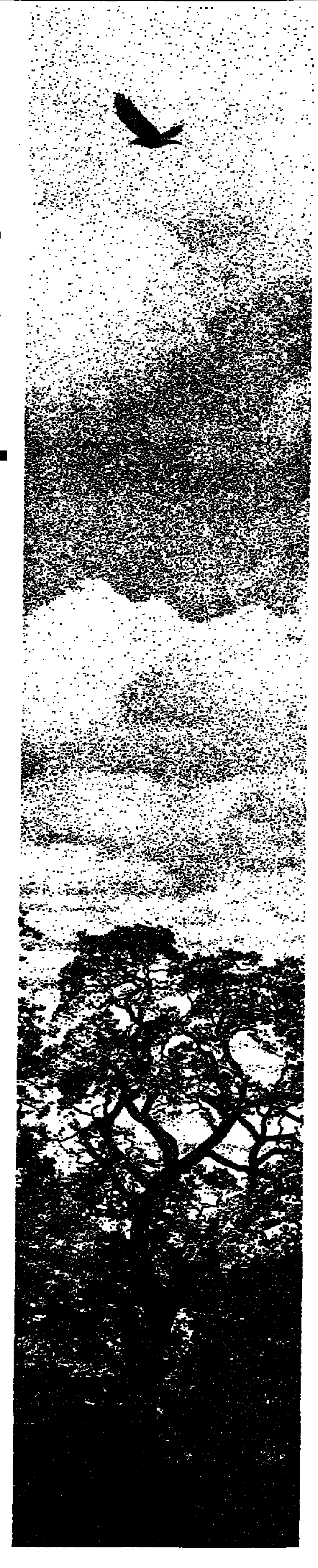

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PUBLIC SPENDING RESERVE CUT BY MORE THAN ONE THIRD

Treasury may concede higher cash target

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE UK Government's £7bn public spending reserve for the 1989-90 financial year beginning next April has been cut by more than a third even before the start of ministerial bargaining on new departmental allocations.

The allocations from the reserve, for local authority spending and for health service pay, have intensified expectations that the Treasury will be forced to concede an increase in its cash target for the third consecutive year.

Broad guidelines for the latest round of spending negotiations will be set by the Cabinet on Thursday, although agreement on the final figures will not come until several months later in the Autumn Statement.

The negotiations start against the background of serious concern within the Treasury about the inflationary implications of the rapid growth of demand in the economy and of a sharp widening in the trade gap.

A Treasury spokesman yesterday denied reports that it was examining contingency plans to curb inflationary pressures by introducing new taxes on housing.

He pointed out that Mr Nigel Lawson, the Chancellor of the Exchequer, had specifically ruled out fiscal "fine-tuning" and had indicated that the prospective rise in mortgage rates was likely to cool the housing market.

The Treasury is likely to examine the possibility of new property taxes in the run-up to next year's Budget, but the spokesman yesterday indicated that it would stick to its traditional position of refusing to discuss Budget options.

At Thursday's Cabinet meeting Mr Lawson is likely to cite the risk of "overheating" in the economy as a counter to demands from spending ministers for around £6bn of extra cash allocations next year.

Senior Whitehall officials believe that an increase in the £167bn spending total now pencilled in for 1989-90 would seriously undermine the credibility of the Government's system of cash planning.

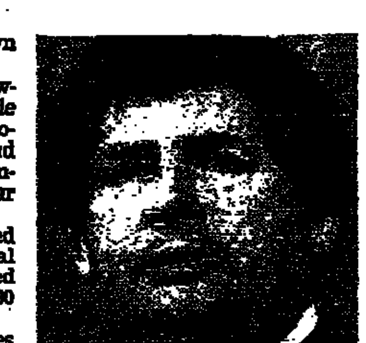
That might add to concerns in financial markets about the Government's resolve to bring down inflation.

The officials are doubtful, however, that Mr Lawson will be able to insist on the politically unpopular cutbacks needed to defend the target, particularly as government revenues are running far ahead of expectations.

The Treasury has confirmed that the new limits for local authority spending announced last week will reduce the 1989-90 contingency reserve by £1.5bn.

This year's pay deal for nurses and other health service workers will pre-empt another £750m even before any additional increase in pay next April.

Taken together with smaller items like increases in housing benefit that means that about £2.5bn of the £7bn has already been earmarked eight months before the start of the financial year.



Nigel Lawson: ruled out fiscal fine tuning

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June 1988

Ballots urged over disputed TV work

BY JOHN GAPPER

THE MONOPOLIES and Mergers Commission has been urged by the independent television companies to recommend a change in the law to require actors' and musicians' unions to ballot their members before instructing them not to undertake work.

The suggestion is contained in written evidence given by the ITV Association joint employers' body to the MMC inquiry into labour practices in the film and television industries. It would mean a significant broadening of employment law.

Under existing law, the actors' union Equity and the Musicians' Union may instruct members not to undertake work for film and television employers in trade disputes without a ballot because it does not involve breaking contracts.

If the Government took up the suggestion of a change in the law, it would mean a widening of restrictions on unions calling industrial action to take in the growing number of workers who are employed on short-term contracts.

Apart from this proposal, the ITVA argues in its evidence that its closed shop agreements with Equity and the Musicians' Union allow it several benefits, and do not lead to undue restrictions on its use of labour.

It also says that individual ITV companies are reaching new staffing agreements with the staff unions representing technicians, journalists, electricians and studio staff, and excessive staffing levels and costs are fast being reduced.

The Musicians' Union closed shop in particular is said to be in employers' interests because the union has the right to give consent for the repeat or sale of programmes on behalf of individual members.

But the evidence, disclosed by an ITV company, says the freedom of the "talent" unions to instruct members not to sign new contracts during disputes without holding an industrial action ballot under the 1984 Trade Union Act is "anomalous."

The 16 ITV companies are increasingly worried by restrictions in their national agreements with Equity and the Musicians' Union. The ITVA has just drawn up proposals to simplify the MU agreement, which runs out on July 21.

Although Equity balloted its members this year as part of negotiations with independent film and television producers – and gained a 99 per cent majority in favour of its negotiating position – it was not a formal industrial action ballot.

Kinnock rivals carry torch in epoch of darkness

CHARLES HODGSON looks at the left's challenge to the Labour leadership

BLACKPOOL, on England's north-west coast, is a long way from Moscow. But for Mr Tony Benn the Labour conference there in October will see the culmination of a leadership challenge he hopes will prove as galvanising for the Labour Party as Mr Mikhail Gorbachev's recent political shake-up may prove to be for the Soviet Communist Party.

The drama of the economic, social and now political change taking place in the Soviet Union has infected both sides in the Labour leadership contest.

Mr Bryan Gould, one of the architects of Labour's "New Realism" policy review, recently described Mr Benn as the Ligachev of the party, threatening Mr Neil Kinnock's bold new vision with a divisive appeal to outdated values, couched in the outdated language of class struggle.

The comparison with Mr Yegor Ligachev, long viewed as the conservative brakeman on Mr Gorbachev's perestroika express, irritates Mr Benn. The veteran left-wing MP doubts the validity of the Soviet analogy, but would prefer to cast himself in the role of Mr Boris Yeltsin, the engine driver who went too far, too fast even for Mr Gorbachev, having the audacity to question the Soviet leadership's reforming credentials.

Behind the somewhat playful references to the Soviet experience, Mr Benn clearly feels that his challenge to Mr Kinnock has already served its purpose. Whatever the outcome of the electoral college vote in October – widely expected to be a comfortable endorsement of the status quo – he believes he has triggered a debate among the rank and file on the future direction of the party, that had threatened to be smothered by the leadership's promotion of its policy review.

Central to Mr Benn's argument is that the policy review, by diluting the party's commitment to public ownership, reaffirming Britain's role in the European Community and Nato and through its endorsement of market forces, represents little more than an acceptance of the key tenets of Thatcherism.

The broad areas of bipartisanship between the two front benches has reduced the electoral argument to a dispute over who can run the capitalist system more efficiently and humanely.

For Mr Benn, this is a road travelled by every Labour government since the war, becoming most marked in the Wilson and Callaghan years, when he was in the Cabinet, which were "essentially SDP governments". It is a well-trodden road, he says, to electoral disaster.

"If people want the sort of society they've got now unchanged they will probably think the best people to run it are the people who believe in it," he says. "They are not sure that the Labour Party does believe in it . . . and of course they are right."

Labour is "defusing" its own supporters, Mr Benn feels, telling them not to rock the boat, that when it comes to power things will come out right. "That is a form of dreaming that I find very dangerous," he said.

"I see a very different future from the idea that we have no choice but to be Labour wets who are accommodating themselves to so-called irreversible changes."

Mr Kinnock has countered that it is Mr Benn and Mr Eric Heffer, his co-challenger for the deputy leadership, who are the dreamers, "living in Disneyland", reflecting a level of debate from the Kinnock camp at least that has concentrated on personalities rather than policies.

In public, Mr Benn is reluctant to hit back in similar vein. But he is scathing of what he sees as the failure of the leadership to exploit and channel real anger about the impact of Mrs Thatcher's policies and the "back me or sack me" approach adopted by Mr Kinnock and his immediate predecessors.

"One of the most unhappy features of the past five years is that anyone who disagrees however marginally with the leadership is abused, personally abused, and that abuse has been an attack on authenticity and legitimacy of other views to the views of leadership," he says.

The idea that there is what Mr Benn likes to call a "genuine socialist alternative" to the conservative consensus has been lost, he says, in the argument about moderation versus extremism, in appeals for party unity and media attacks on the "loony left".

The leadership contest has put that alternative back on the agenda, he believes, and articulated genuine grassroots disquiet at the policy review. It has forced frontbenchers back on to the picket lines, a swift and clumsy double U-turn on defence, and has guaranteed that the policy review will not go through conference "on the nod". He claims wider-than-expected support for the challenge.

Last week at a London meeting, the "two venerable gentlemen of pensionable age", to quote Mr John Edmonds, the general workers' union leader, won warm support for their platform.

Mr Heffer forcefully outlined the policy aims: renationalisation of privatised industries, repeal of trade union legislation and curbing of the power of local authorities, abolition of the House of Lords and reaffirmation of unilateral nuclear disarmament.

Mr Benn aimed for the higher intellectual ground. The campaign, he told his 400-strong audience, was about the meaning of socialism. "The basis of socialism is that we owe a duty to one another," he said. "If we let that go by default in the name of New Realism we are simply allowing the present system to dominate. We are collaborating with our own oppressors."

Peace, jobs and hope were the message of a speech designed to instil in the mostly young listeners some of the optimism and zeal of the socialist pioneers.

Mr Benn is fond of historical parallels. In the car back to the House of Commons, he likened his and Mr Heffer's punishing campaign schedule to the criss-crossing of the country by the early socialist leaders, spreading the message.

For Mr Benn and Mr Heffer this campaign may be "the last gasp of the geriatrics", in Mr Denis Healey's phrase, but Mr Benn believes at the very least "a little flicker of hope has been kept alive in a very dark period". At best, he thinks the debate it has generated will eventually force the present leadership to think again about a strategy that is "even less effective than the Wilson and Callaghan policies".

"I have seen the past," Mr Benn says wryly, "and it does not work."

Racing to victory, Page 8

Company Notices

DIVIDEND NOTICE TO THE HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS FOR COMMON STOCK OF TOSHIBA CORPORATION (FORMERLY TOKYO SHIBAURA ELECTRIC COMPANY) DESIGNATED COUPON NO. 70 (ACTION REQUIRED ON OR PRIOR TO 30TH SEPTEMBER 1988)**

Chemical Bank, as Depositary (the "Depositary") under the Deposit Agreement dated as of February 15th 1970 among Tokyo Shibaura Electric Company Limited (the "Company"), the Depositary and the holders of European Depositary Receipts (the "Receipts") issued thereunder in respect of shares of Common Stock, par value 50 Yen per share, of the Company (the "Common Stock"), HEREBY GIVES NOTICE that at the general meeting of stockholders of the Company held in Tokyo, Japan on June 1988 such shareholders approved the payment of a dividend of 4 Yen per share of Common Stock.*

The Dividend on the shares of Common Stock of record on Deposit with the Custodian under such Deposit Agreement, less a portion thereof withheld by the Company on account of Japanese taxes, has been received by the Custodian as agent for the Depositary, and, pursuant to the provisions of such Deposit Agreement, has been converted into United States Dollars at the rate of 134.65 Yen per United States Dollar.

The Depositary has been advised by the Company that Japan is a party to international agreements with Australia, Belgium, Canada, Denmark, France, The Federal Republic of Germany, Malaya, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Arab Republic, the United Kingdom and the United States of America under which certain persons are entitled to 15% tax withholding rate on dividends such as the dividend in question. The persons so entitled include residents of such countries and companies organised thereunder meeting certain conditions relating to the carrying on of trade or business in Japan. Persons not so entitled to a 15% tax withholding will be paid a dividend on which a 20% tax withholding rate has been applied.**

To determine entitlement to the lesser tax withholding rate of 15% it is necessary that the surrender of Coupon No. 70 be accompanied by a properly completed and signed certificate (copies of the form which are obtainable at the office of the Depositary in London or any Depositary's Agent) as to the residency and trade or business activities in Japan (if applicable) of the holder of Coupon No. 70. Such certificates may be forwarded by the Depositary to the Company upon its request. Payment in United States Dollars of the amount of the dividend payable will be made at the office of the Depositary in London or at the office of any Depositary's Agent listed below upon surrender of Coupon No. 70.

DEPOSITARY'S AGENTS

NAME	ADDRESS
Chemical Bank	Frankfurt, Germany
The Bank of Tokyo Limited	London, England
The Bank of Tokyo Limited	Paris, France
The Bank of Tokyo Limited	Brussels, Belgium
The Bank of Tokyo Limited	Frankfurt, Germany
Pierson, Heldring & Pierson	Amsterdam, The Netherlands
Banco Nazionale del Lavoro	Rome, Italy
Banco Nazionale del Lavoro	Milan, Italy
Kredietbank S.A. Luxembourgeoise	Luxembourg

The following table sets forth the amounts payable upon presentation of Coupon No. 70 from the various denominations of Receipts.

Coupon No. Detached from Receipts in the Denomination of:	Dividend Payable (less 15% Japanese withholding tax)	Dividend Payable (less 20% Japanese withholding tax)
1 Depositary Share	$1.26	$1.18
10 Depositary Shares	$12.63	$11.89
20 Depositary Shares	$25.25	$23.77
50 Depositary Shares	$63.13	$59.42
100 Depositary Shares	$126.25	$118.82

Payment in United States Dollars in respect of Coupon No. 70 will be made by United States Dollar check drawn on, or transfer to a United States Dollar account maintained by the payee with a bank in New York City.

Date: 11.0788 — Chemical Bank, as Depositary, 180 Strand, London WC2R 1EX, England.

*31st March 1988 has been established as the record date for the determination of the stockholders of the Company entitled to such dividend. All receipts issued in respect of common stock not entitled to share in such dividend will be without Coupon No. 70 attached.

**Certain holders of Receipts may be entitled upon the fulfilment of certain conditions to reductions in the withholding tax rate applicable to them. The Depositary will, if in its discretion not unduly burdensome and upon payment of all expenses incurred in connection therewith, take such action as it deem appropriate in the circumstances to assist such holders in availing themselves of such reductions.

Because of Japanese tax requirements applicable to the Company, the Custodian has been asked to remit to the Company, shortly after 30th September, 1988 the excess received by the Custodian over 80% of the dividend payable and allocable to unsurrendered Coupon No. 70.

As a result, persons surrendering Coupon No. 70 after such date will be entitled to receive from the Depositary or any Depositary's Agent a dividend on which a 20% tax withholding rate has been applied and, if entitled to a 15% tax withholding, will be required (in order to realise such entitlement) to make application to the Company for an additional 5%. Such application may, consistently with the foregoing paragraph, be made through the Depositary.

OMRON TATEISI ELECTRONICS CO.

Advice has been received from Tokyo that payment of a Cash Dividend of Yen 6.50 per share has been made for the six months period ending 31st March, 1988.

The dividend will be payable in United States Dollars (except to residents of the United Kingdom) and will amount to $0.2536 per Depositary share before deduction of any Japanese Withholding Tax.

RESIDENTS OF THE UNITED KINGDOM will receive payment in sterling converted at the rate of exchange ruling on the day of presentation of the coupons.

RESIDENTS OF THE FOLLOWING COUNTRIES who are subject to deduction of Japanese Withholding Tax at the reduced rate of 15%, will receive a net dividend of $0.2156 per Depositary share after deduction of Withholding Tax amounting to $0.0380.

Australia, Belgium, Canada, Denmark, Finland, France, The Federal Republic of Germany, Italy, Malaysia, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, The United States of America.

RESIDENTS OF ALL OTHER COUNTRIES (EXCLUDING THE REPUBLIC OF KOREA) who are subject to deduction of Japanese Withholding Tax at the full rate of 20% will receive a net dividend of $0.2029 per Depositary share, after deduction of Withholding Tax amounting to $0.0507.

RESIDENTS OF THE REPUBLIC OF KOREA who are subject to deduction of Japanese Withholding Tax at the reduced rate of 12% will receive a net dividend of $0.2232 per Depositary share after deduction of Withholding Tax amounting to $0.0304.

TO OBTAIN PAYMENT UNDER DEDUCTION OF JAPANESE WITHHOLDING TAX AT A REDUCED RATE, THE COUPONS MUST BE ACCOMPANIED BY AN AFFIDAVIT OF RESIDENCE APPROVED BY THE JAPANESE MINISTRY OF FINANCE. FORMS OF AFFIDAVIT ARE AVAILABLE AT ANY OF THE OFFICES LISTED BELOW. IN THE ABSENCE OF SUCH AFFIDAVIT COUPONS WILL BE PAID UNDER DEDUCTION OF WITHHOLDING TAX AT THE FULL RATE OF 20%.

Attention is drawn to the fact that the aforementioned concessions relating to Japanese Withholding Tax apply only to coupons presented for payment within five months of the record date i.e. 31st March 1988. Thereafter, tax will be deducted at the full rate of 20%, and it will be the responsibility of the owner to claim from the Japanese Tax Authorities any refund to which he is entitled.

HOLDERS OF BEARER DEPOSITARY RECEIPTS (B.D.R.'s) wishing to claim this dividend should present Coupon No. 50 at the Offices of any of the following:–

Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. (Where lodgement forms are available).

Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royale, Luxembourg.

Bank of Tokyo Limited, 4-8 Rue Sainte-Anne, Paris 1, France.

Bank of Tokyo Limited, Immermannstrasse 43, 4000, Dusseldorf 1, Federal Republic of Germany.

Bank of Tokyo Limited, Avenue des Arts 47-49, 1040, Brussels, Belgium.

Bank of Tokyo Limited, Sutherland House, 3 Chater Road, Hong Kong.

Bank of Tokyo Trust Co., 100 Broadway, New York, U.S.A.

In the case of Coupons presented for payment in London, United Kingdom Tax will be deducted from the proceeds unless accompanied by an Inland Revenue Affidavit of Non-Residence.

Hill Samuel and Co. Limited, 45 Beech Street, London EC2P 2LX.

HARRISONS MALAYSIAN PLANTATIONS BERHAD
(Incorporated in Malaysia)
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at the Theatrette, Ground Floor, Bangunan MIDF, Jalan Tun Razak, 50400 Kuala Lumpur, on Wednesday, 10th August, 1988, at 11.30 a.m. for the following purposes:

1. To receive and consider the Report of the Directors, the Statement of Accounts for the year ended 31st March, 1988, and the Report of the Auditors.
2. To declare a dividend.
3. To approve the Directors' remuneration for the year ended 31st March, 1988.
4. To elect a Director
5. To appoint auditors and to authorise the Directors to fix their remuneration.
6. To transact any other ordinary business of the Company.

By order of the Board
MOHD. NADZIR MAHMUD
Secretary

Kuala Lumpur
11th July, 1988

Notes

(i) A member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies but not exceeding two, to attend and vote in his stead. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company but must attend the meeting in person to vote. The instrument appointing a proxy must be deposited at the Company's registered office not less than 48 hours before the time for holding the meeting or any adjournment thereof.

(ii) If the dividend is approved at the Annual General Meeting, it is intended that the warrants be payable on 3rd January, 1989, to shareholders registered in the books of the Company at the close of business on 2nd December, 1988.

(iii) There are no contracts of service between the Directors and the Company.

LEUMI INTERNATIONAL INVESTMENTS N.V.

US $20 MILLION GUARANTEED FLOATING RATE NOTES 1990 SERIES "B"

The interest rate applicable to the above Notes in respect of the three month period commencing 11th July 1988 has been fixed at 8⁷⁄₁₆% per annum.

The interest amounting to US $21.24 per $1,000 principal amount of the Notes will be paid on Tuesday, 11th October 1988 against presentation of Coupon No.32.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

bank leumi בנק לאומי

NOTICE OF RATE OF INTEREST BANQUE EXTERIEURE D'ALGERIE

U.S.$55,000,000 FLOATING RATE SERIAL NOTES DUE 1989

In accordance with the provisions of the the Reference Agency Agreement between Banque Exterieure d'Algerie and Citibank, N.A., dated as of June 8, 1978 notice is hereby given that the Rate of Interest has been fixed at 8.9375% p.a. and that the Coupon Amount payable on January 11, 1989 against Coupon No. 19 will be U.S.$158.86 and that such amount has been computed on the actual number of days elapsed (184) divided by 360.

As a result of the principal repayment of $500 per Note due January 11, 1989 pursuant to condition 1 of the Notes, the value of each Note will accordingly be reduced to $3,500.

July 11, 1988 — CITIBANK, N.A., London CSSI Dept. Agent Bank

CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE LONDON BRANCH
Japanese Yen 10,000,000,000
Floating Rate Depository Receipts due 1993

In accordance with the terms and conditions of the Receipts, we hereby give notice that the Rate of Interest for the period from 13th July 1988 to 13th January 1989, was fixed at 4.95% per annum. On 13th January 1989 interest of Yen 248,897 will be due per Yen 10,000,000 Receipt.

The Taiyo Kobe Bank Limited
Tokyo
Agent Bank
Dated 11th July, 1988

Contracts & Tenders

AVIS D'APPEL D'OFFRES
REPUBLIQUE DU ZAIRE
DEPARTEMENT DU COMMERCE EXTERIEUR.

SOCIETE NATIONALE DE TRADING "SONATRAD"

APPEL D'OFFRES INTERNATIONAL N° DCO/DCA/SN 075/88 POUR LA FOURNITURE DU MATERIEL DE VOIE

1. OBJET

La Société Nationale de Trading - SONATRAD - met en adjudication publique la fourniture de 220.000 Traverses métalliques destinées à la SOCIETE NATIONALE DES CHEMINS DE FER ZAIROIS (S.N.C.Z.).

Cette dernière a demandé à la KREDITANSTALT FUR WIEDERAUFBAU (K.F.W.) un crédit en vue de financer le 1er projet de réhabilitation du secteur des transports au Zaïre (volet S.N.C.Z.).

Les sommes accordées au titre de ce crédit seront utilisées notamment pour effectuer les paiements autorisés dans le cadre du marché pour lequel le présent appel d'offres est lancé.

2. DESCRIPTION DES FOURNITURES

Le présent appel d'offres porte sur la fourniture CIF SAKANIA d'un lot unique et indivisible constitué de 220.000 Traverses métalliques.

Le lot étant indivisible, tout candidat est tenu de soumissioner pour l'ensemble du lot.
La SONATRAD sélectionnera l'offre la plus avantageuse du lot.

3. RETRAIT DU DOSSIER D'APPEL D'OFFRES.

Le dossier complet d'appel d'offres peut être obtenu contre remise d'un chèque barré d'un montant de 150.000 zaires ou 30.000 francs belges, à partir du 08.07.1988 aux adresses suivantes :

1. SOCIETE NATIONALE DE TRADING "SONATRAD"
BUILDING C.C.I.Z. - 22è NIVEAU
B.P. 15.711 - KINSHASA/I
TELEPHONE : 30.592 - 30.598 - 32.304
TELEX : 21634
TELEFAX : 30.592
REPUBLIQUE DU ZAIRE

2. SOCIETE NATIONALE DE TRADING - "SONATRAD"
AGENCE DE BRUXELLES
15, RUE DE LA LOI, BOITE 062
B-1040 BRUXELLES
TELEPHONE : 02/230.37.97
TELEX : 26444
TELEFAX : 02/230.47.62

3. SOCIETE NATIONALE DE TRADING - "SONATRAD"
AGENCE DE LUBUMBASHI
225, AVENUE MSIRI
B.P. 1573 - LUBUMBASHI
TELEPHONE : 22 53 71 - 22 52 49
REPUBLIQUE DU ZAIRE

4. PARTICIPATION

La participation à la concurrence est ouverte à égalité de conditions à tout fournisseur intéressé par le présent appel d'offres.

5. REMISE ET OUVERTURE DES OFFRES

Les offres seront remises sous double enveloppe cachetée, par envoi postal recommandé ou par porteur contre accusé de réception, à
SOCIETE NATIONALE DE TRADING - "SONATRAD"
BUILDING C.C.I.Z. - 22è NIVEAU
B.P. 15.711 - KINSHASA/I
TELEPHONE : 30.592 - 30.598 - 32.304
TELEX : 21634
REPUBLIQUE DU ZAIRE

avant le 08.09.1988 à 10 heures locales, date et heure auxquelles il sera procédé à l'ouverture des offres en la salle de réunion du 22e niveau Building C.C.I.Z.

Wandsworth Borough Council
Installation of heating and hot water systems at Argyle Estate SW19, Patmore Estate SW11 and Whitlock Drive Estate SW19

Contractors wishing to be considered for selection to tender for the provision of new individual gas fired heating and hot water installations to approximately 1550 dwellings each at Argyle Estate SW19, Patmore Estate SW11 and Whitlock Drive Estate SW19 should submit names to the Chief Executive and Director of Administration, Room 111, Town Hall, Wandsworth High Street, London SW18 2PU, by 29th July 1988 quoting reference DH/28.

Applicants must provide the name of the company who would tender for the contract and provide the following information in respect of that company:-

(a) details of labour force and technical and supervisory staff available;
(b) names and addresses of three technical referees and the name and address of the Company's Banker;
(c) details of similar work undertaken during the last three years
(d) copies of the last two years' audited accounts; and
(e) the Company's policy statement in accordance with Section 2(3) of the Health and Safety at Work etc., Act 1974.

(N.B. Applicants should refer only to the above-mentioned scheme and must not incorporate replies to other advertisements placed by Wandsworth Borough Council. Late applications will not be considered).

It is anticipated that tenders will be invited from selected contractors later this year with work expected to commence on site early in 1989.

The surveying services for the scheme will be provided by Harding McDermott and Partners, Skyline House, 200 Union Street, London SE1 0LX, under the direction of R.J. Sheppard FRICS, F.IH., Director of Housing, Town Hall, Wandsworth High Street, London SW18 2PO.

G.K. JONES
Chief Executive and
27th June 1988 Director of Administration

TENDERS FOR PROJECTS TO DEFINE MANAGEMENT COMPETENCES

Tenders are invited for a series of projects aimed at identifying the competences of supervisors and managers. Each project will start in the Autumn and last for up to 18 months. The Training Commission is particularly interested to hear from those with experience in management training and/or in defining management competences.

For additional information:
Euin Hill, TRAINING COMMISSION, MOORFOOT, SHEFFIELD S1 4PQ. Tel: 0742 703544

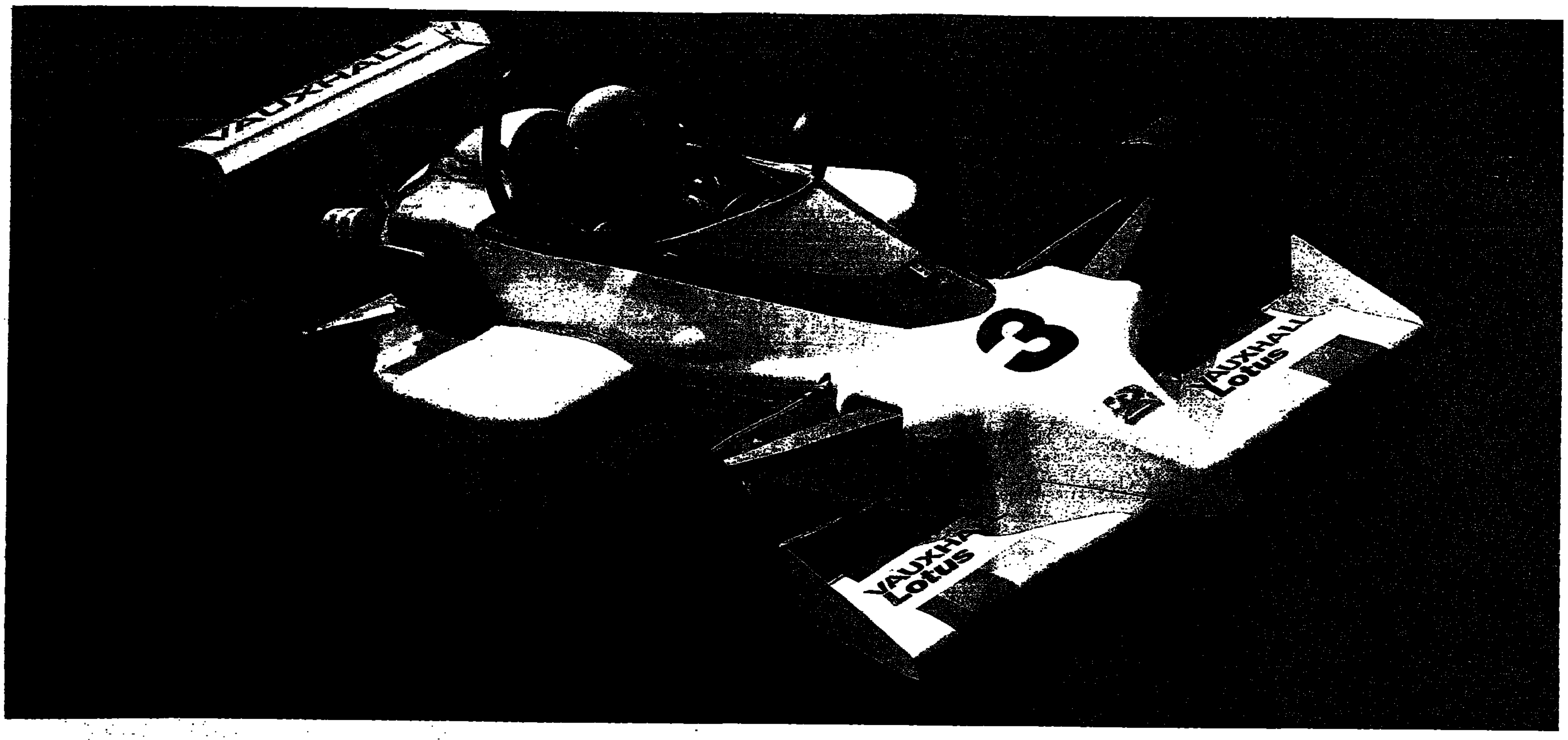
Rentals

Plaza Estates

Porchester Gardens, W2 Delightful new refurb 1st flr flat in good PB Block. 2 Beds. Bath, Recep. F/F Kt. Lift. Porter. Long lets £275.00 p.w. 01 724 3100
Elsham Road, W.14 Selection of newly refurbished flats.
Studios from £120.00 p.w.
1 Bed from £165.00 p.w.
2 Beds from £200.00 p.w.
Long lets
01-581 7646

KENWOODS RENTAL
QUALITY FURNISHED FLATS AND HOUSES
Short and Long Lets
23 Spring St., London W2 1JA
Tel: 01-402 2271 Telex: 25271
Fax: (01) 262 3750

RENT YOUR HOME today to rich Americans. We have too many impeccable tenants and not enough quality homes, in Kensington, Chelsea, Holland Park and Surrey. Don't miss this opportunity. Call Flora now at SAUNDERS of KENSINGTON, 01 581 3623.



THE NEW 16 VALVE ASTRA GTE. (AROUND TOWN WE RECOMMEND THE 4 SEATER VERSION.)

The car you see above is a powerful animal.

It was developed by Vauxhall and validated by Lotus, to race in the newly-formed Vauxhall-Lotus Challenge.

It can accelerate from 0-60 in a little over 4 seconds. And on full throttle, it's capable of a breathtaking 161mph.

The immense power comes from a completely new 16 valve 2.0 litre engine.

The same engine, in fact, that powers the car you see below. The new 16 valve Astra GTE.

The GTE is, of course, more refined than its racing cousin. A roof, two doors, four seats, stereo.

But have we sacrificed performance for comfort?

Hardly. Sequential fuel injection will rocket you from 0-60 in just 7.6 seconds. Put your foot down and its 156hp could pull you along at 137mph.

True, up against its racing stablemate it would almost certainly come second.

But in the eyes of Car magazine, it's an outright winner.

They describe its acceleration as 'amazing.' And its engine, they say, is 'the most eager you'll encounter this side of a Porsche.'

High praise indeed.

For the road, we've also worked on the Astra's handling ability.

We've given it a new 5-speed close-ratio gearbox to make slick gear changes even slicker.

We've improved braking by adding solid rear disc brakes to the ventilated front discs we have already.

And we've modified the chassis for even better stability on all road surfaces.

However, you'll only appreciate these differences when you get behind the wheel.

To look at, the GTE is as elegant as ever.

You may well spot the discreet 16 valve badges on the rear tailgate and front airdam. And a closer look might reveal the twin rectangular exhaust pipes.

But the real beauty in this beast lies beneath the bonnet.

The new 16 valve Astra GTE. £11,776. For further information, call 0800 400 493.

THE 16 VALVE ASTRA GTE.

VAUXHALL. ONCE DRIVEN, FOREVER SMITTEN.

VAUXHALL IS BACKED BY THE WORLDWIDE RESOURCES OF GENERAL MOTORS. CAR SHOWN: ASTRA 16V GTE, PRICE £11,776 INCLUDES CAR TAX AND VAT, BUT EXCLUDES DELIVERY AND NUMBER PLATES. PRICE CORRECT AT TIME OF GOING TO PRESS. PERFORMANCE FIGURES AND QUOTES FOR THE ASTRA 16V GTE FROM "CAR" MAGAZINE MAY EDITION. ALL OTHER FIGURES MANUFACTURER'S DATA.

BAe prepared to accept reduced aid to Rover

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

BRITISH AEROSPACE is understood to be ready to accept a reduction of up to £250m in government aid to the Rover Group, provided the Government makes expected concessions on other elements of BAe's proposed takeover of the state-owned car maker.

The insistence of the European Commission on a large reduction in the Government's planned £800m cash injection into Rover has threatened to undermine the takeover.

The most recent negotiations have concentrated on improving other aspects of the takeover, however.

BAe, whose chairman is Professor Roland Smith, now hopes that the net impact of the commission's cuts can be kept below £200m, a level it believes will prove acceptable both to its own shareholders and the City.

A key area for adjustment is believed to be the size and treatment of Rover's carry-forward losses.

As part of the original deal announced at the end of March, Rover Group's tax-deductible carry-forward losses were reduced from £1.6bn to £500m, and it was agreed that they could be offset only against future Rover Group profits.

Prof Roland Smith: Hopes conditions can be eased

BAe now hopes those conditions can be eased in return for it accepting the hefty cut in the cash injection demanded by the European Commission.

In addition, BAe has gained some more room for manoeuvre because of Rover Group's better financial performance than expected in the first six months of the year.

BAe expects a deal to be agreed shortly and is confident that it can be completed before the end of July.

Jaguar's worldwide sales increase 11.5%

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

JAGUAR, the luxury car maker, increased its worldwide sales by 11.5 per cent, to 24,742 units, in the first six months of the year, in spite of a slight fall in the US, its biggest single market.

The company said it expected retail sales to reach about 53,000 units for the whole year, an increase of some 13 per cent from the 46,612 sold in 1987.

It has been forced to reduce its earlier 1988 forecast of sales of 55,000 units because of the weakness of the US market for luxury imported cars. Its US sales were 9,897 units, compared with 10,024 in the first six months of last year, but its main competitors in the US, which include BMW, Mercedes-Benz and Porsche, have all suffered sharper falls.

The company's share price rose sharply last week, with heavy trading amid stock market speculation about one of the leading US automotive groups building a minority stake.

Jaguar has increased sales particularly strongly in the UK and Japan. Sales in the UK rose by 32 per cent to 7,680 units in the first half, which was more than Jaguar's total UK sales for the whole of 1986.

In Japan, where Jaguar last year established a new 40:60 jointly owned sales and distribution company with Seibu, a leading Japanese department store group, sales rose to 478 cars in the first six months, double the volume achieved in the same period last year.

In continental Europe, sales in the first six months rose by 14 per cent, to 4,045 units: sales were up 7 per cent in West Germany, to 1,253 units; up 19 per cent in France, to 571; up 30 per cent in Italy, to 464; up 18 per cent in Switzerland, to 448; and up 29 per cent in Spain, to 280. The company is still dissatisfied with its sales network in West Germany and wants to restructure its dealer organisation there.

Overseas sales, including Japan, jumped by 30 per cent, to 1,934 units. Jaguar said it expected shortly to appoint its first importer-distributor in South Korea.

Until they jumped last week, Jaguar's shares had been depressed after several recent downgradings by City stockbroking firms of their forecasts for Jaguar profits in 1988, and particularly 1989, under the impact of the weak US dollar and the company's difficulties in raising its prices in the crucial US market.

Jaguar's pre-tax profits for the first half of 1988 will not be announced until mid-August, but are expected to show a fall to around £30m from £45.7m in the first half of 1987 and £97.4m in the first six months of 1986.

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GRANVILLE

SPONSORED SECURITIES

Capitalisation £000's	Company	Price	Change on week	Gross div (p)	Yield %	P/E
7751	Ass. Brit. Ind. Ord	230	0	8.7	3.8	8.6
-	Ass. Brit. Ind. CULS	230	0	10.0	4.3	
900	Armitage and Rhodes	36	0			
3312	BBB Design Group (USM)	40	-5	2.1	5.1	6.4
107899	Bardon Group	160xd	0	2.7	1.7	27.4
18567	Bardon Group Conv. Pref.	112	0	6.7	6.7	-
8099	Bray Technologies	140	0	5.2	3.7	10.2
	Brembill Conv Pref	107	0	11.0	11.0	-
1056	CCL Group Ordinary	278	+1	12.3	4.4	4.2
1888	CCL Group 11% Conv Pref	151xd	0	14.7	9.7	-
16740	Carbo Plc (SE)	143	0	6.1	4.3	9.2
763	Carbo 7.5% Pref (SE)	109xd	+1	10.3	9.4	-
5204	George Blair	282	+5	3.7	1.3	7.2
7488	Isis Group	94	0	-	-	-
11794	Jackson Group (SE)	112xd	-4	3.3	2.9	12.4
23003	Multihouse N.V. (AmstSE)	295	-5	10.4	3.5	11.7
1071	Robert Jenkins	105	+54	-	-	4.6
15975	Scruttons	355	+23	8.0	2.3	32.3
6738	Torday & Carlisle	218xd	+6	7.7	3.5	7.7
3873	Trevian Holdings (USM)	90	+1	2.7	3.0	9.7
	Unistrox Europe Conv Pref	108	0	8.0	7.6	-
6137	W. S. Yeates	292	+2	16.2	5.5	7.9

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co nor Granville Davies Ltd are market makers in these securities.

Granville & Co. Ltd.
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of TSA

Granville Davies Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of the Stock Exchange & TSA

Deutsche Siedlungs- und Landesrentenbank Bonn/Berlin

DSL Bank

DM 100.000.000,-
Floating Rate Notes - Schuldverschreibungen - Serie 185 - 1985/1995

For the three months 10th July 1988 to 9th October 1988 the notes will carry an interest rate of 4.45% (Fibor less 0.10%) per annum with a coupon amount of DM 55.63 per DM 5.000,-note.

The relevant interest payment date will be 10th October 1988.

Listed on the Dusseldorf Stock Exchange

DSL Bank
Deutsche Siedlungs-und Landesrentenbank
Kennedyallee 62 70, 5300 Bonn 2
Telephone 02 28/889-215
Teletex 228324 DSL Bank

IRA funeral hears pledge to continue campaign

By Kieran Cooke in Pomeroy, Northern Ireland

MR SEAMUS WOODS, 22, was buried at an IRA funeral in Pomeroy yesterday.

Mr Woods, killed on Thursday night while carrying out a mortar bomb attack on the police station in this small town in east Tyrone, was the 21st IRA member to die in the last 16 months.

Mr Danny Morrison, representing Sinn Fein, the IRA's political wing, told graveside mourners that in spite of the serious losses the IRA had suffered in recent months, the military campaign would not stop.

He said: "We will continue and have the courage and resources to do so."

A similar message was given by an IRA man who appeared at the graveside, his face hidden by sunglasses and a black mask.

The IRA is known to be concerned about recent security forces successes and a number of bungled operations by its members.

These include the killing of two civilians by an IRA bomb in west Belfast last week, the bombing of a school bus two weeks ago and the Enniskillen massacre last November.

The disquiet in Republican ranks was reflected in a weekend statement by Mr Gerry Adams, the head of Sinn Fein. "There has been a series of unfortunate mistakes which have had terrible consequences on the civilian victims. The onus is on the IRA to sort all that out, to put its house in order."

Pomeroy was yesterday representative of much of the division of history, religion and politics in Northern Ireland.

As the funeral cortege, followed by more than 1,000 people, wound its way to the town's Roman Catholic Church, members of the local Orange Order paraded at the other end of the main street. At one end of Pomeroy, the Irish tricolour flew at half mast; at the other, the kerbstones were painted red, white and blue and the Union Jack was raised.

Police surrounded the graveyard while the burial was going on and an army helicopter whirred overhead.

Elsewhere in Northern Ireland, a series of marches marking the beginning of a week of Orange celebrations passed off peacefully.

SAS inquest story denied

By Charles Hodgson

THE MINISTRY of Defence last night dismissed as "speculation" a Sunday newspaper report that the SAS soldiers who shot dead three IRA terrorists in Gibraltar in March had decided to attend the inquest.

The MoD said the seven men involved in the operation were still considering whether to attend the inquest on September 6, after the coroner's rejection of their request for strict anonymity.

Mr Felix Pizzarello ruled that the men must be visible to the inquest jury and lawyers acting for families of the dead IRA members.

The Government is also seeking legal advice before deciding what guidance, if any, to give the soldiers.

David White on how last week's defence contract has helped the helicopter manufacturer

Saudi Arabia plugs Westland's order gap

A SECOND rescue has come for Westland, the UK's helicopter producer, this time not from Europe or the US but from Saudi Arabia.

Under Britain's new government-to-government arms supply agreement with Riyadh, Westland is expected to obtain more than 80 orders, helping to fill a gap that was raising the what-to-do-about-Westland issue once again.

The deal might include the launch order for its US-licensed Black Hawk, the helicopter Westland has been counting on to keep the wolves at bay until the British services come back with new-model purchases. But questions about the company's future in an overcrowded European helicopter industry still remain.

One of the possible scenarios was returned unopened to the shelf when Fiat of Italy announced this month that it was discussing disposal of its stake.

That scenario, as it might at one stage have been imagined, would have involved Fiat in a reprivatisation of the Italian manufacturer Agusta, Westland's closest European collaborator, and then a merger of the two helicopter companies.

Instead, a new "friendly" partner will be sought by the end of this year to take its place alongside United Technologies (UTC) of the US, the parent of Sikorsky, licensor to Westland for 40 years. It could be another US company, or a British partner. UTC has the option but is not expected to want to raise its stake.

Fiat's decision that its stake no longer has any strategic value underscores a self-evident fact: two years on from the political crisis over Westland and the issue of its European or US allegiance, which brought the resignations of Mr Michael Heseltine and Mr Leon Brittan from the Government, the industry is still where it was.

In a sector suffering worldwide overcapacity, the EC has four leading manufacturers (Westland, Agusta, France's Aerospatiale and West Germany's Messerschmitt-Bölkow-Blohm), as many as the US (Sikorsky, Bell, Boeing Vertol and McDonnell Douglas Helicopter Company). All four Europeans are going through a trough in orders.

For Westland, the trough in its mainstream UK defence business lasts until the EH101, a large naval and utility helicopter being developed jointly with Agusta, comes into its own. The project is more than a year behind schedule. Full production is not expected before about 1993.

European helicopter collaboration projects

	EH101	NH90	PAH-2	LAH
Westland (UK)	★			★
Aerospatiale (France)		★	★	
MBB (West Germany)		★	★	
Agusta (Italy)	★	★		★
Fokker (Netherlands)		★		★
Casa (Spain)				★

While anxious not to exaggerate the aircraft's "normal" teething troubles, the Ministry of Defence, having earmarked an initial £1.6bn to include the first batch of 50 units for the Navy, is holding back production funds until it is satisfied that development is complete.

Until then, Westland's prospective workload is based on remaining supplies of Lynxes and Sea Kings, updates, and export hopes. Those involve Lynxes for South Korea and elsewhere, but particularly the Sikorsky-designed Black Hawk. That licence was part of the Westland reconstruction plan, designed to fill a gap in the product range. Westland's version exists only in prototype. The company has been selling it hard in the Middle East, but until now there were only signals of orders.

Westland is pleading for firm UK military commitments for the EH101, so that it can confidently accept orders for the civil side of the programme.

Another Westland-Agusta venture, this time with Fokker of the Netherlands and Casa of Spain on board, the LAH, a light attack helicopter for the army, based on Agusta's A-129, is still in its feasibility and cost-definition phase.

The Dutch want to merge it with the Franco-German PAH-2, a three-helicopter project with two anti-tank versions and a French anti-air version. The six nations are expected to produce demand for this class of helicopter of between 600 and 700 units. Britain is studying the linkage idea, but experts are dubious.

Further on, Westland will miss out on the NH90 navy and troop transport helicopter planned by France, West Germany, Italy and the Netherlands.

The Government dropped out of the project, seeing no requirement for an 8-to-9-tonne aircraft of this kind next to the larger EH101. It would carry too few men for the British Army's style of operation, officials say.

Military helicopters are a cyclical business, ordered in batches, with replacement rarely urgent. Robust, not suffering fatigue as do high-performance jets, they have lives that can easily be stretched.

Hopes for compensation on the civil side collapsed with oil prices and have not bounced back. "Nobody makes money on civil helicopters," one senior industry figure commented.

European companies' awakening to the overcapacity led to an agreement between Britain, France, Italy and West Germany to work together on helicopters. That was 10 years ago. Today the only active new British ties in Europe are with Italy.

Earlier collaboration with France has dried up, with only the residual part of those projects remaining. The Lynx, the British-designed part of a three-helicopter joint programme, is up against direct competition from the Panther, a military version of the Dauphin, which Aerospatiale built in the same category. At Westland, which has its London offices where de Gaulle had his wartime headquarters, the French have not been forgiven for that.

Westland, trying to build up the 40 per cent of its business that is outside helicopters, is in a relatively vulnerable position as a publicly quoted company: all its European and US counterparts are controlled by governments or big corporations.

UK defence planners are not entirely indifferent to Westland's fate. They see helicopters as reaffirming their role in the battlefield, and want to keep at least an indigenous support capability. That means maintaining a design capacity, to be able to make changes. However, the MoD's solicitude does not extend to helping Westland through its order gap. It has already made clear that the company will have to rely on its exports to tide it over.

One official said: "Ministers are not prepared to keep ordering helicopters like drunken sailors to keep Westland going."

Talks today on broadcasting white paper

BY RAYMOND SNODDY

MINISTERS FROM three government departments are to meet in Berkshire today to try to agree outlines of what should be included in a planned white paper on broadcasting's future. They are from the Home Office, Department of Trade and Industry and the Treasury.

Their seminar aims to clear ground so that decisions can be taken by a Cabinet committee, before the parliamentary recess, to allow drafting of the document to begin. The committee is chaired by Mrs Margaret Thatcher.

A long agenda is faced by Mr Douglas Hurd, Home Secretary, Lord Young, Trade and Industry Secretary, and Mr Norman Lamont, Chief Secretary to the Treasury, and top officials.

It ranges from microwave television to the funding of public-service broadcasting and reactions to the suggestion that BBC 2 and Channel 4 should transfer to satellite distribution.

Ministers will also review decisions already made, including:

Douglas Hurd: Growing radicalisation

- A form of competitive tendering for ITV franchises next time round.
- The creation of a fifth national television channel, probably financed by advertising, although a mixture of advertising and subscription has not been finally excluded.
- A new national night-time television franchise for the post-midnight hours.

The decisions taken so far are seen as provisional ones that must be ratified when all the pieces of a complex jigsaw are finally fitted together.

Competitive tendering for ITV franchises is again very much on the political agenda, after a period of doubt. It is suggested that Mr Hurd has moved away from the idea of trying to impose detailed programme obligations on ITV companies in the much more competitive environment of the 1990s. But obligations to provide news and regional programmes are likely to be kept.

There is also growing doubt whether the Independent Broadcasting Authority will survive in its present form, but no decision has been taken.

The doubts were reinforced last week when the Commons Home Affairs Committee said the IBA should be replaced by a body regulating all commercial television, whether delivered by cable, satellite or normal transmitters.

A new element has been introduced to the two years of talks on creation of a broadcasting framework. It is the growing radicalisation of Mr Hurd. His views are closer to Lord Young's than in the past.

The Home Secretary's speech last month to the Coningsby Club, a Tory dining club, was all his own work. Its content surprised some of his officials.

In it he questioned everything from the BBC licence fee's immortality to the IBA's role

As the Government moves towards taking final decisions on broadcasting, it is increasingly clear that the Peacock Report on the future financing of broadcasting has been the main blueprint.

When it was published two years ago it was seen by many as impractical. However, even Peacock ideas such as the need for a so-called arts council of the air, to fund high-quality programmes, and a national fibre-optic grid, to carry all forms of communications, are being looked at again.

ITN studies cable news link venture

By Raymond Snoddy

INDEPENDENT Television News is considering a joint venture with Mr Ted Turner's Cable News Network to create a truly European satellite news channel.

Mr Paul Matthews, ITN deputy chief executive, has discussed the idea with Mr Turner at his US headquarters in Atlanta and is now engaged on a feasibility study.

CNN, the world's first 24 hours-a-day news channel, is already available in Europe on cable networks and in hotels. Its output is American-oriented.

The aim would be to try to put together the strengths of both CNN and ITN to create an international channel which would be carried on Astra, the Luxembourg-based satellite project.

Astra, a 16-channel television satellite due to be launched in November, is powerful enough to broadcast directly to homes as well as feed cable networks.

No decision has been taken and ITN is also talking to Mr Rupert Murdoch's Sky Television, which is also planning to launch a European news channel on Astra.

CNN and Sky News will almost certainly be competitors so ITN will have to choose between them if it wants to increase its involvement in the European satellite television business.

International Leisure acquires Connectair

INTERNATIONAL Leisure Group, which includes Air Europe, has acquired Connectair, a small commuter airline. Financial details are not disclosed.

Connectair flies scheduled services from Gatwick and Manchester to Antwerp, Dusseldorf and Rotterdam.

Mr Robert Wright, founder and chairman and managing director, is resigning to pursue other business interests. Another founder-director, Mr Brad Burgess, has been appointed managing director.

Manager training drive seeks support

BY MICHAEL SKAPINKER

MORE THAN 500 companies and public-sector organisations are to be invited to become founder members of a movement aimed at improving the training and development of UK managers.

Mr John Banham, director general of the Confederation of British Industry, and Mr Bob Reid, chairman of Shell UK, will this week begin writing to the potential members asking them to subscribe to a code of practice on management development.

Several provisions in an earlier draft code have been omitted from the final version, including a commitment by companies to provide their managers with at least 10 days' training a year.

Plans for the movement, to be called the Management Charter Initiative, have been drawn up by the Council for Management Education and Development, which is chaired by Mr Reid. Mr Banham is chairman of the working party responsible for drafting the code of practice.

The initiative is a response to two reports last year that called for a dramatic improvement in the quality and quantity of UK management development.

Founder members of the initiative will be asked to make contributions of up to £10,000 to the organisation. The letter to companies acknowledges, however, that smaller concerns and public-sector organisations will not be able to contribute as much.

The letter says that Lord Young, Trade and Industry Secretary, has promised £2.5m over five years to the initiative, provided that the money is matched by corporate contributions.

Members of the initiative will be consulted on plans to establish a national management qualification and to set up a permanent body to administer it.

Proposals to establish a qualification of chartered manager have been heavily criticised by senior managers and educationalists. The letter says that by becoming members of the initiative, companies will be able to influence the outcome of the debate

The code of practice, copies of which are being sent out with the letter, calls for companies to improve management skills throughout their organisations, to review progress annually and to set targets for the company and for individuals. Both the review and the targets should be publicised, the code says.

Apart from the commitment to 10 days of training for each manager, a proposal that managers should be rewarded for the contribution they make to the development of their subordinates has also been omitted from the code.

Mr John Wybrew, executive director of the working party that drew up the code, said, however, that it could be strengthened if members of the initiative thought necessary.

Housing land variations shown

By Hazel Duffy

MORE THAN half the land in England allocated for residential use last year came from acreage previously classified as rural.

The latest survey of land use change, published by the Environment Department, shows considerable regional variations in the proportions of land that changed from agricultural to residential use.

In the south-east, excluding Greater London, 39 per cent of the total 2,145 hectares of land that changed to residential was agricultural and 48 per cent was built-up or vacant land classified as "urban."

In the East Midlands, the south-west and East Anglia – all regions where there is considerable demand for new housing – the proportions of residential land that were previously agricultural varied between 56 and 63 per cent.

Kinnock camp predicts victory

BY CHARLES HODGSON

MR NEIL KINNOCK and Mr Roy Hattersley appear certain of a comfortable victory in the Labour Party leadership contest. Provisional nomination figures give them a commanding lead.

Mr Robin Cook, campaign manager for the Kinnock-Hattersley ticket, said at the weekend that the contest was effectively over.

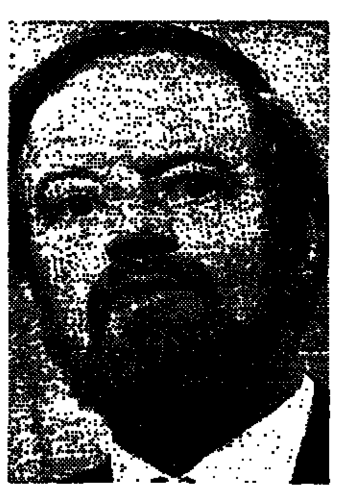
Mr Cook predicted 80-85 per cent support for Mr Kinnock and 60-65 per cent for Mr Hattersley in the electoral college vote at the start of Labour's annual conference in Blackpool in October.

Latest figures for nominations, which closed at midnight on Friday, show Mr Kinnock supported by about 150 of the party's 228 MPs. His leadership rival, Mr Tony Benn, MP for Chesterfield, has about 30, most from the hard-left Campaign Group, which put his name forward.

Mr Hattersley who is facing a twin challenge for the deputy leadership, has been nominated by 108 MPs, well ahead of Mr John Prescott, Labour's energy spokesman, who is backed by 35 MPs, and Mr Eric Heffer, campaigning on a joint ticket with Mr Benn, with about 30.

Trade unions and constituency parties can submit supporting nominations but under party rules only those from MPs are valid.

Among trade unions, which command 40 per cent of the vote in Labour's electoral college, the Kinnock camp claims overwhelming support.



Robin Cook: 'Party leadership contest effectively over'

Mr Prescott, who had been thought likely to pose the more effective challenge to Mr Hattersley, has rallied his sponsoring union, the National Union of Seamen, the train drivers' union Aslef and the small Furniture, Timber and Allied Trades. The furniture union is also backing Mr Benn.

The comfortable endorsement of the present leadership last week by the National Union of Railwaymen was seen among Mr Kinnock's supporters as a turning point in union support for Mr Prescott. The NUR had been expected to support Mr Prescott, and had it done so, could have prompted other left-of-centre unions to follow suit.

Among constituencies, which, like the parliamentary Labour Party, make up 30 per cent of the electoral college, the position is less clear-cut. About a third of the 630-odd constituency parties have returned nominations, with Mr Kinnock supported by 110 and Mr Benn 100. Mr Hattersley has only 50 nominations, compared with about 70 each for Mr Heffer and Mr Prescott.

The Kinnock camp claimed yesterday that the leadership challenges had peaked. They suggested that while not wanting to appear complacent, Mr Kinnock and Mr Hattersley would now concentrate on outlining the party's future direction as laid out in the recent policy review documents and directing their fire against the Government.

One party official said: "There is a widely held feeling in the party that people should now temper their statements and consider the interests of the party as well as their own personal ambitions."

INDEX-LINKED SAVINGS

NOTICE OF FINAL SUPPLEMENT

If you have Retirement Issue or 2nd Indexed-Linked Issue Savings Certificates and you keep them until 1 August 1989 you will receive one final supplement of 1.5%.

The 1.5% supplement is on top of inflation-proofing and all supplements earned since 1983. And you earn 4% bonuses at the 5th and 10th anniversaries of purchase. All tax-free.

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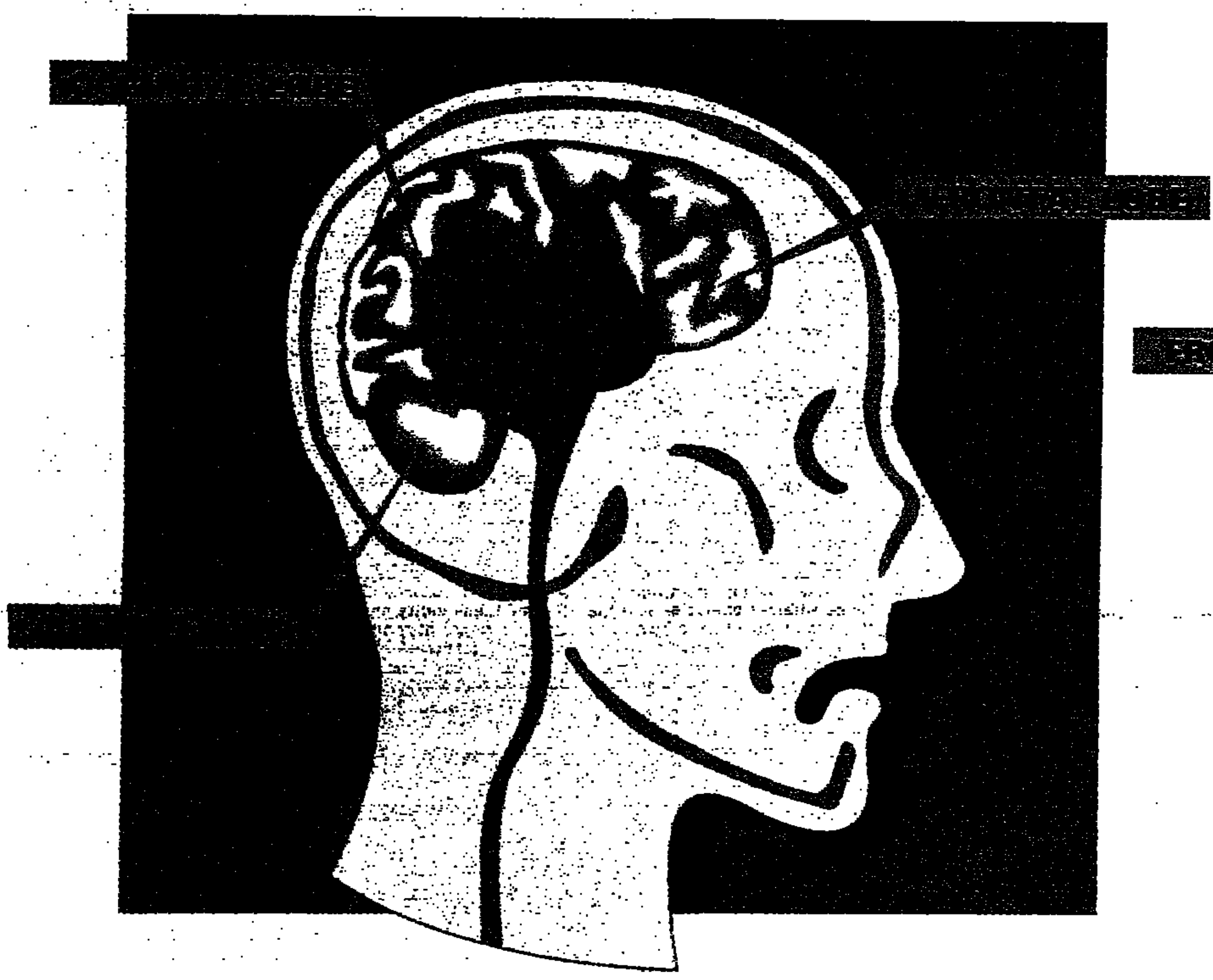

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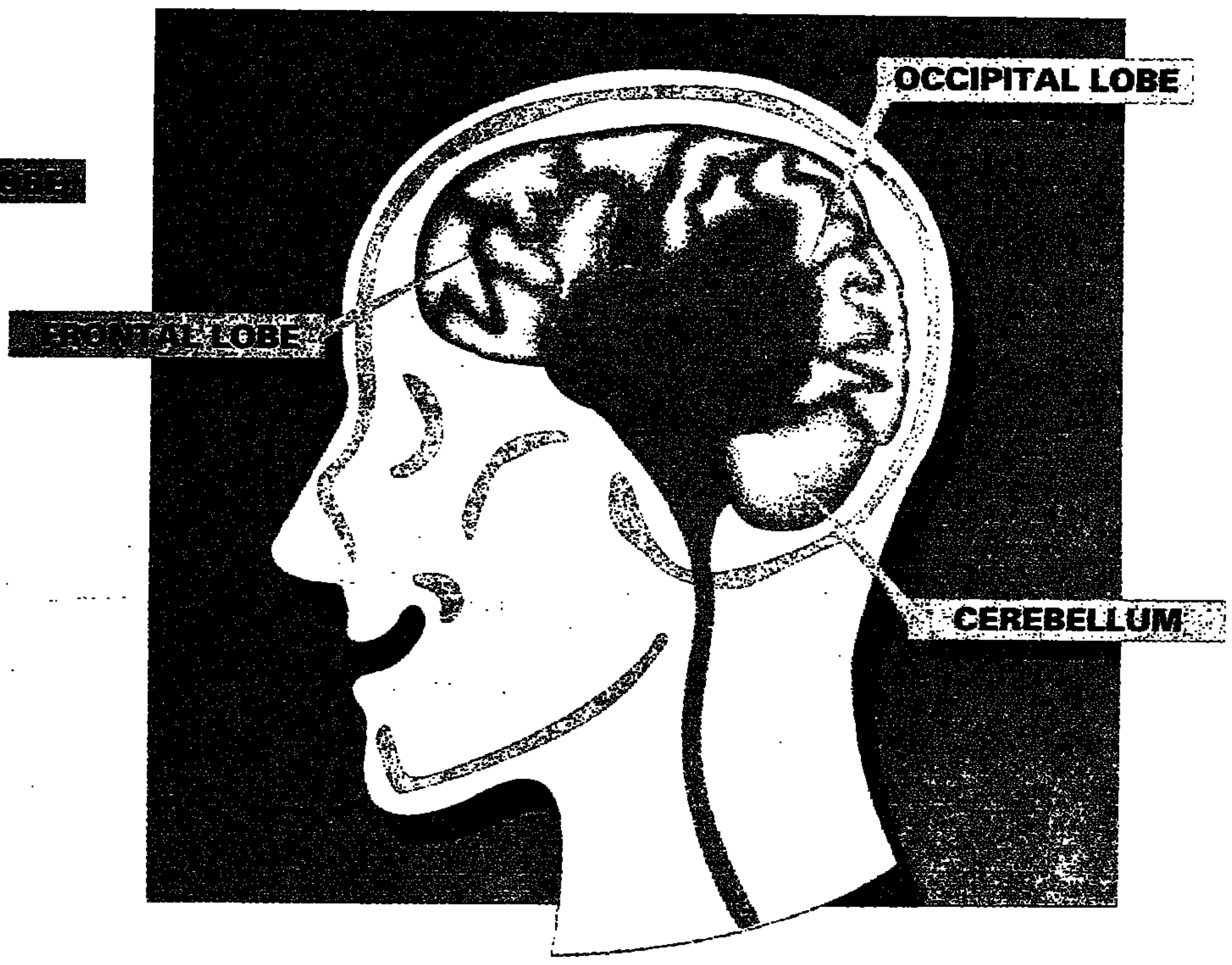

The Macintosh brain.

And because they actually began to enjoy their work, they used more software.

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Company Notices

CHARTER CONSOLIDATED P.L.C.

Notice of Annual General Meeting

Notice is hereby given that the twenty-third annual general meeting of members of Charter Consolidated P.L.C. will be held in the Caxton suite at the London International Press Centre, 76 Shoe Lane, London EC4A 3JB (New Street Square entrance), on Tuesday 2 August 1988 at 12 noon for the following purposes:

1. To receive and consider the accounts and the report of the directors for the year to 31 March 1988
2. To declare a final dividend.
3. To reappoint as directors Mr D E Cook, Sir Robert Hunt who has attained the age of 70 years, and Mr A E Oppenheimer.
4. To reappoint Coopers & Lybrand as auditors and authorise the board to fix their remuneration.
5. To consider the following resolution which will be proposed as a special resolution:

"That

(i) the directors of the company, having by ordinary resolution passed on 5 August 1986 been generally authorised to allot the unissued shares of the company pursuant to section 80 of the Companies Act 1985, be hereby empowered, pursuant to section 95(I) of the said Act, from the date of the passing of this resolution until the conclusion of the next annual general meeting, to allot and to make offers or agreements to allot equity securities of the company pursuant to that authority as if section 89(I) of the said Act did not apply-

(a) in connection with an offer of such equity securities by way of rights to shareholders in proportion to their existing shareholdings but subject to such modifications as the directors deem necessary or expedient in relation to fractional entitlements and legal or practical problems under the laws of, or the requirements of any stock exchange or recognised regulatory body in, any territory, and

(b) otherwise than under paragraph (a) above, up to an aggregate nominal amount of £105,430 (being 5 per cent of the issued share capital of the company at 31 March 1988);

(ii) the above-mentioned authority given pursuant to section 80 of the said Act shall be varied to, and the power conferred by this special resolution shall, allow and enable the directors to make offers or agreements which would or might require the making of allotments after the expiry of the said authority and of the said power; and

(iii) words and expressions defined in or for the purposes of section 94 of the Companies Act 1985 shall bear the same meanings herein."

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company. A form of proxy accompanies this notice.

by order of the board
E.G. Rudland
Secretary

Registered office:
40 Holborn Viaduct
London EC1P 1AJ
8 July 1988

Notes
1. Forms of proxy must reach the company's registrars, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL, not less than 48 hours before the meeting.
2. Holders of share warrants, to bearer who wish to attend in person or by proxy or to vote at the meeting must comply with the relevant conditions governing share warrants to bearer.
3. There are no directors' service contracts required by The Stock Exchange to be made available for inspection.

KOREA INTERNATIONAL TRUST

International Depositary Receipts

evidencing Beneficial Certificates

representing 1.000 units

Notice is hereby given to the Unitholders that Korea International Trust declared a distribution of Won 357.000 per IDR of 1.000 units payable on June 25, 1988 in the Republic of Korea.

Payments of coupon No 7 of the International Depositary Receipts will be made on July 11, 1988 in US dollars at one of the following offices of Morgan Guaranty Trust Company of New York:

- Brussels, 35 Avenue des Arts
- New York, 30, West Broadway
- London, 1, Angel Court
- Frankfurt, 44-46, Mainzer Landstrasse
- Zurich, 38, Stockerstrasse

The amount of dollars shall be the net proceeds of the sale by the Fund of the Won amount to a foreign exchange bank in the Republic of Korea at its "spot" rate on July 11, 1988.

The proceeds of the coupons presented after July 11, 1988, will be converted into US dollars at the prevailing spot rate of the day following their presentation, and will be distributed to the Unitholders in proportion to their respective entitlements and after deduction of all taxes and charges of the Depositary.

Holders residing in a country having a double taxation treaty with the Republic of Korea may obtain payment of their coupons at a lower rate of the Korean non-resident withholding tax, on condition they furnish to either the Depositary or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the certificate of incorporation or a copy of the passport for individuals. Those documents are requested by the Korean National Tax Administration Office as evidence of residence and without them the full rate of 26.875 pct Korean non-resident withholding tax will be retained.

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FLOATING RATE NOTES DUE APRIL 1995

For the three months, July 7, 1988 to October 6, 1988, the rate of interest has been fixed at 8 1/8% P.A.

The interest due on October 7, 1988 against coupon nr 14 will be $ U.S. 207,64 and has been computed on the actual number of days elapsed (92) divided by 360.

The Principal Paying Agent,

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Bondholders are hereby informed that CAISSE CENTRALE DE COOPERATION ECONOMIQUE will redeem, at par, all the notes on the above issue on August 16th, 1988.

The notes will be reimbursed, coupon No 21 and subsequent attached at the following banks:

- Bankers Trust Company New York
- Banque Bruxelles Lambert S.A. Bruxelles
- Banque Nationale de Paris Paris
- Commerzbank Aktiengesellschaft - Frankfurt/Main
- Crédit Lyonnais - London
- Crédit Suisse - Zürich

The Fiscal Agent
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Legal Notices

SUMMONS Case Number: C 664590
NOTICE TO DEFENDANT:
PETER GEORGE, an individual, UNITY FINANCE CORPORATION; a business entity, form unknown, and Doe 1, YOU ARE BEING SUED BY PLAINTIFF: Marc Zimmerman, an individual.

You have 30 CALENDER DAYS after this summons is served on you to file a typewritten response at this court. A letter or phone call will not protect you: your typewritten response must be in proper legal form if you want the Court to hear your case.

If you do not file your response on time, you may lose the case, and your wages, money and property may be taken without further warning from the Court. There are other legal requirements. You may want to call an attorney, you may call an attorney referral service or a legal aid office (listed in the phone book). *The name and address of the Court is* Los Angeles Superior Court, 111 North Hill Street, Los Angeles, California 90012. The name, address and telephone number of plaintiff's attorney, or plaintiff without an attorney, is: WEISSMANN, WOLFF, BERGMAN, COLEMAN & SILVERMAN, Steve Workman, 9665 Wilshire Boulevard, Suite 900, Beverley Hills, California 90212. Date: October 15, 1987.
FRANK S. ZOLIN - Clerk by HECTOR DON LOCAS - Deputy WEISSMAN, WOLFF, BERGMAN, COLEMAN & SILVERMAN, Steve Workman, 9655 Wilshire Boulevard, Suite 900, Beverley Hills, California 90212,
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

SPANISH INDUSTRY

Maria Kielmas on the future of a Spanish electricity utility

Sevillana generates ideas for the 90s

MR EMILIO ZURUTUZA, managing director of Sevillana de Electricidad, *Andalucia's regional* electricity utility, sits in an office with a wonderful view. Rising above the orange and palm trees of the Maria Luisa park are the towers of the Plaza de Espana, constructed for Seville's Iberoamerican exhibition of 1929. As it was followed by the Wall Street crash, recession and war, the exhibition turned out to be a disaster.

Seville is gearing up for the 1992 World Fair, Expo 92, which will celebrate the 500th anniversary of the discovery of America. Politicians hope this project will attract much-needed investment and industry into Andalucia. For Sevillana, the region's biggest employer, it would mean more customers and more profit.

But no self-respecting Andalucian believes in what politicians tell him, especially, as in the case of the present Spanish Government, they happen to be of the locally-grown variety. Andalucia could wake up in 1993 with a big headache, some new roads, an improved airport, and not necessarily much else.

Similar uncertainty in the mid-1990s faces Spain's indebted electricity utilities, the current turn of good fortune of which has prompted a huge wave of mutual back-slapping.

Sevillana, established in 1894, is the oldest of Spain's electricity utilities. It grew through absorbing small generating companies in Andalucia which sold power to sugar beet refineries. These in turn had been established at the beginning of the century to compensate for Spain's loss of cheap sugar after Cuban independence.

Spain's oldest hydro plant, now out of service, is at El Chorro, north of Malaga, next to a modern pumped water plant. A pathway built into the cliffs around it as a viewing platform for King Alfonso XIII, grandfather of the present King Juan Carlos, is a good place for eagle-watching for those who do not suffer from vertigo.

Spain's electricity utilities cumulatively account for 15 per cent of both market capitalisation and trading on the Spanish stock exchanges. With dividend yields averaging 7 per cent, they are regarded as a safe haven for the cautious investor, says Mr Estanislao de Aranzadi of Madrid brokers Benito & Monjardin.

But spending on nuclear installations in the 1970s, because of a massive overestimation of future power demand, left the industry as a whole with a total debt of Pta4,200bn ($34bn).

The Los Barrios coal-fired plant near Algeçiras

The turnaround from Nemesis to self-congratulation came about as a result of a new tariff calculation called *marco estable y legal*. Explained in a one-inch volume of iterative formulae, tariffs are worked out on the costs of power generation, debt amortisation, capital investment, fuel, obligations to state utilities, inflation, an equitable return and so on.

There was no provision for these under the earlier nationally standardised and ridiculously low tariff system. The new deal meant that the combined 1987 profits of the sector were up 36 per cent on 1986, and allowed companies to begin to restructure their debts.

Sevillana has total debt of Pta400bn, compared with a market capitalisation of Pta94bn, but is regarded by analysts as one of the best-run Spanish utilities. Mr Zurutuza says: "We have had a flood of offers for debt refinancing."

Power demand in Sevillana's territory, which covers Andalucia and southern Extremadura, is growing by more than 7 per cent a year, double the national average. Mr Zurutuza does not expect such a high rate of growth to continue indefinitely, but at least above national average.

The economy of the underdeveloped south, whose growing tourism and agricultural industries have dubbed it the future "California of Europe," has a lot of catching up to do and is growing faster than the rest of Spain. But whether this will be fulfilled in an area still wedded to its feudal past and singularly lacking in entrepreneurs — *few Seville businessmen* have shown much interest in Expo 92 — remains an open question.

Uncertain, too, is the future of the network of relationships between the public and private sector utilities in a post-1992 Europe, with the looming spectre of cheap French power imports. At present, the private sector regional utilities have to purchase a proportion of their power from the state-owned Empresa Nacional de Electricidad (Endesa).

Sevillana, which accounts for about 14 per cent of the Spanish market, purchases some 14 per cent of Endesa's output, equivalent to around 25 per cent of its needs. The high-voltage national grid is controlled by state sector Red Electrica de Espana (Redesa), which holds the monopoly on electricity exports.

Sevillana is interested in selling power to Gibraltar, although this market is small compared with the company's 8m regional customers. *Gibraltar is* reported to be interested in having a reliable back-up to its two dated fuel oil plants and Sevillana has a modern, spotlessly clean coal-fired plant at Los Barrios, outside Algeciras and conveniently next door to an excellent restaurant.

But if the *political status* of Gibraltar remains unchanged, such power exports would be Redesa's preserve, even though Sevillana has the most efficient generating plant in Spain.

Similarly, a proposed 17 to 37 km and 300MW-550MW subsea link to Morocco, costing up to Pta23bn and expected to be on line by 1991, would be a Redesa undertaking. Analysts say that the project will involve French power exports, via the Redesa grid through Spain, the costs of which would be covered in the first instance by France.

But the real black mark on the horizon is the future of nuclear power plants. Sevillana holds interests in two nuclear plants located in southern Extremadura; a 36 per cent stake in Almaraz which is online, and a half-share in the 60 per cent completed Valdecaballeros, on which work was suspended in 1985 because of a government moratorium on nuclear projects.

The future of this, and two other closed nuclear projects, Lemoniz and Trillo, is expected to be decided with the publication of the Government's new national energy plan next year.

If the Valdecaballeros project is terminated completely, Mr Zurutuza says Sevillana will recoup its investment in it through the *marco estable*. The company calculates it will not need new capacity until the mid-1990s and if the nuclear plant is halted, it can install more coal-fired generating units at Los Barrios.

It also hopes the efficient deep water port there could be used as an entry for coal imports, not only for itself, but other European countries.

Mr Zurutuza estimates that Sevillana will be able to clear its debt within less than the 26-year lifetime of its existing plant. But even if the Government gives the go-ahead to Valdecaballeros next year, Mr Ignacio Gomez of Madrid brokers F & G Inversiones Bursatiles thinks the company will only be able to finance new investment through selling its share of this plant.

Conscious that in a unified European market Spanish utilities could easily be swallowed up by foreign predators, the industry is engaging in a lot of secret *political manoeuvring in an* effort to secure its future.

But in public, Mr Zurutuza remains bullish about Sevillana's future

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Figures calculated to deceive

ANTHONY HARRIS
in Washington

THE MAY TRADE figures, due out within the week, are quite likely to look awful; and if they don't, then prepare for a similar shock in June. All the same, these bad figures would be perfectly consistent with a trend that would eliminate the US trade deficit within three years, and possibly a good deal faster.

This will happen, if it happens, because US manufacturing is now reviving – one of the few undisputed facts about the economy. However, it does not appear to be building on a strong base, despite all the official pronouncements which suggest that manufacturing has been doing quite well in the 1980s; it is recovering from a slump which depressed output probably by 10 per cent, and possibly by twice as much. Its productivity record, until quite recently, also seems to have been pretty poor by international standards.

But can this revival last? The received market wisdom is that we are now getting dangerously near the limits of available labour and capacity, but there are figures which suggest this is another myth.

All the above may look like comments on the US economy; they are simply comments on the quality of the information available about the economy, or on the interpretation which market analysts tend to put even on the accurate figures. Anybody who reads to the end of this column, which deals in passing with one or two tricky points, should be a little less willing to stampede with the herd, and thus enjoy at least a sporting chance of getting the trends somewhere near right.

The employment figures, which sent the currency markets into a spasm only last Friday, make a good starting point, because the arguments are pretty straightforward. The markets, of course, always make their own forecasts of the important economic indicators, and any sharp reaction shows simply that those forecasts were wrong. This time, they were expecting a rise of about 250,000 in employment, as shown by the survey of establishments – nobody takes much notice of the notoriously jumpy figures which come from a sample survey of households. Instead, they got a rise of 350,000, and went into mild shock. The trouble with market traders is that they don't feel they have time to read the small print.

First, they seem to have forgotten that the May figures were oddly off trend, showing a fall in employment in a growing economy; this should have led them to expect a bounce back. Second, they may not have noticed that more than half the rise in June was in teenage employment – and as Dr Janet Norwood pointed out in the official briefing, teenagers are a trap for statisticians. Some years they join the labour force in June, some years they wait until July, and nobody knows why.

Given these doubts about the headline figures, the analysts might have looked further into the details for other evidence about labour market strain. If labour is getting short, workers are asked to make up for it by doing overtime, and the overtime figures are there in the report. They have not increased at all since the beginning of the year. The economy may be in danger of overheating in one or two regions or industries – especially in Governor Dukakis's Massachusetts; but the June employment figures provide no evidence, one way or the other.

The question of the level of industrial output is a great deal more complicated, unfortunately. It has arisen because of the recent appearance of a paper by Dr Lawrence Mishel, the research director of the Economic Policy Institute in Washington, suggesting that the official figures are grossly misleading. Since the EPI is a left-wing organisation, on the US scale, and Dr Mishel is a veteran trade union economist, he has an obvious bias; but his findings are being treated with respect.

Dr Mishel's attack is on just one official series: the Gross Product Originating figures from the Bureau of Economic Analysis. The title is odd because the GPO numbers are in fact the one attempt to get at a true measure of sectoral output, by measuring value added in real terms.

The series aroused his suspicion because it seems to be out of line with all the common-sense measures of industrial activity – sales figures, plant closures, increased import penetration and falling employment. All the same, it is this figure which has been used to "prove" that industrial decline is a myth.

The idea of real value added is one of those which sounds like common sense until you try to focus on it, when it tends to shimmer, as James Thurber once put it. Value added is simply the difference between sales value and the cost of all inputs; but how do you deflate it to get real value added? Do you use the price index for the final output, or for the inputs, or a bit of both? If some of these values are largely guesswork, how do you set about adjusting the number that comes out?

These are the questions which Dr Mishel has examined, and his conclusion is that the BEA's methods tend to understate the size of US industry in the past quite a lot, and overstate its recent size by rather less; the result is to rewrite history quite drastically. These distortions seem to have arisen partly because all figures are referred to a relatively recent base year, 1982; rebasing always tends to produce a higher apparent growth rate, since patterns of output change over time. This means that we are asking how good the economy was in the 1960s and 1970s at producing the pattern of output of the 1980s; the answer is naturally flattering to the 1980s.

There are some other serious problems. Corporate mergers have made it harder and harder to define the industrial sector; even car companies now run their own credit banks, for example. The measures of real output are also suspect. For example, the fastest growing sector of US output is in business electronics; but what is a computer? Today's personal computer is potentially as powerful as a mainframe of a decade ago, and tends to get counted officially as an equal contribution to real output.

A computer which will paint a picture of a parrot in 101 hues is hardly making the same contribution to GNP as a computer which schedules the output of a motor plant, but may use as many calculations. For these and other reasons, Dr Mishel thinks the official numbers conceal a steep industrial decline. If he is right, fears of overheating may also be overstated.

Finally, a few naive computations. My suggestion that we are likely to see some disappointing trade figures is not an economic forecast, but a very simple projection: the April deficit and April imports were far below their moving average, and every amateur chartist knows what that means. If the figures are not bad, then the trend is still improving; and with exports recently growing at an annual rate of more than 40 per cent, nobody expects a further improvement. The figures may be bad, but the news looks good.

INTERVIEW

Policeman's lot

Richard Lambert meets David Walker, new chairman of the Securities and Investments Board

Ashley Ashwood

MR DAVID WALKER, the new chairman of Britain's Securities and Investments Board, made his first public statement about the job last week. It did not seem to produce much clarity.

The FT said that Mr Walker had dashed City hopes for a radical relaxation of the new regulatory regime. But the Times reported that he was considering sweeping changes in the rules. So what does he really have in mind?

A bit of both, it seems. "Where I would like a U-turn is in the attitude of practioners to the SIB and the regulatory system," he says. He believes, correctly, that there is at present deep hostility in the City to the rules which have been established over the past 12 months, and "that just can't be allowed to continue."

On the other hand, he is not about to push for any immediate or fundamental changes in the Financial Services Act, the legislation which established the SIB and an entirely new framework of investor protection in the UK. Many of the complaints which have been levelled against the new system should be discounted, he says. They have come from intermediaries who for the first time are being obliged to run their businesses according to clear and rigorous rules.

"We are not going to cut back on that," says Mr Walker.

The area where big changes are likely soon is in the SIB's conduct of business rules, which cover the responsibility of an agent to carry out business for clients on the best possible terms. The rule book runs to over 200 pages, and Mr Walker – brandishing the great tome in the air and plonking it on the table – believes that this can be cut by more than 50 per cent. He hopes the new regime will be introduced in the early part of next year.

"What I would like to be able to do is to begin every rule with a clear statement of the principle or objective; then to be very specific about the things that will have to be done; and then to give some guidance notes on how the objective might typically be achieved."

What there will not be, he states firmly, is a great deal of penny pinching detail. "We would like to make the new document user friendly, very much like the Takeover Code."

This approach, Mr Walker thinks, will lead to a big shift in attitudes towards the SIB. "We will be seen first as the investor's friend and protector – but in addition as people who are ready to listen to intermediaries in a sympathetic way."

It is up to the SROs to work out the finely detailed rules required to regulate their particular sector of the investment industry in a proper fashion. "The job of the SIB is to provide a high minimum quality assurance."

Mr Walker is no recent convert to the principle of City regulation by statute: indeed, his support for it was the source of his one real difference of opinion with Lord Richardson, who as Governor of the Bank of England recruited him from the Treasury in 1977. But Mr Walker's views have hardened over the years. In a speech in 1983, he emphasised the dangers of making the best the enemy of the good in matters of investor protection. London's success as a financial centre owed much to the relatively light regulatory touch that had been applied, he added. But today, he says that he had not at that time fully grasped the scale of the upheaval which was turning London into a global capital market centre. This change had turned up by a notch or two the emphasis that needed to be placed on having a comprehensive statute.

He still retains, however, much of the culture of the Bank of England. In conversation, he repeatedly brings up the analogy of what might be called a regulatory circle, which defines the limits of acceptable business practice. In the middle of the circle, he would like to introduce as much flexibility and room for manouevre as possible for the "serious, responsible, proper operator" to go about his business in a sensible manner. But the closer that firms go towards the circumference of the circle, the fiercer and more robust the regulator should become.

The SIB has to be readier to intervene than to stand aside if there is any ground for doubt about the protection available to investors, he says.

Fair enough. But isn't he an interventionist by nature, more inclined to look for compromises than to shake a stick? And to what extent does his appointment mean that the SIB is being brought under the wing of the Bank of England, where he remains a non-executive director and a possible future Governor?

"I don't see myself as a trimmer," Mr Walker responds. "If I felt that there was an issue of serious principle, my instinct would be to tackle it head on."

The important thing is not to be interfering and intervening all the time, but to be ready to act in a decisive fashion when an issue reaches a certain, critical point in the regulatory circle.

As for the suggestion that he is some sort of Bank of England stooge, Mr Walker finds the idea slightly offensive – which for him is rather strong language. He says he is not conscious of the shadow of the Bank, and although he plans to talk regularily with the Governor, this will be in the same spirit as the continuing dialogue which he has already started with all sorts of other interested parties.

"I wasn't the first choice for this job, and I wasn't a volunteer. But now I am here, and I am approaching the task with very considerable enthusiasm."

There are some difficult issues to be tackled. One of the toughest will determine the fate of independent life assurance salesmen, whose existence has been threatened by a recent ruling which will force them to give full details of their commission payments after 1990. Mr Walker is fully behind that decision – "all my instincts are for disclosure of that kind" – but he agrees that it will place the independents at a big disadvantage to salesmen who are tied to a particular company, and who will not under the present rules be required to give the same level of information.

"We have to look for ways of offsetting this distribution bias in favour of the tied salesman by identifying ways in which there can be sensible disclosure by the tied salesman's company at the time he is selling a competing product," says Mr Walker. But he admits that he does not know how this can be achieved.

There will also be some difficult judgements to be made on the enforcement side in the coming months, as the programme of authorising investment firms to do business under the Financial Services Act comes to a climax. Inevitably, some of the harder cases have been left to the end of this process, and these will require hard decisions.

However, Mr Walker does not share two of the more commonly held perceptions about the Act – one, that it is likely to drive business away from London, as firms seek for a less rigourous climate, and the other, that the Act itself will need to be substantially redrafted in the near future.

"I don't approach it by saying that we must do all we can to make London more attracive as a financial centre," he says. "I'm not easily persuaded by the argument that people are about to pull up stumps and go. I think there are some risks in some areas, but we have to decide on what is a sensible structure for ourselves."

A radical simplification of the conduct of business rules will, he believes, go a long way towards persuading international firms that London remains a good place to do business.

As for changes to the Act, he would like eventually to be allowed to delegate the responsibility for regulating those few firms who are registered directly with the SIB down to the relevant SRO. And he thinks some changes might be desirable in section 62, which allows investors to sue investment companies if they suffer losses as a result of a breach in the rules.

Although he does not at present think that this controversial section should be done away with altogether, it might make sense for it not to apply in certain cases – for instance, when professionals are dealing with each other, rather than with the public.

But none of this is a great priority, and he does not envisage a claim for wholesale changes to the law.

What is a clever man like Mr Walker, with his brilliant academic record and youthful reputation as a Treasury economist, doing with a policeman's truncheon? He says he makes no excuses for being an intellectual, since most of the issues he is facing are really rather difficult. And he hopes that his intellect may provide him with some protection against the rougher elements he will have to face in his new role.

"Someone said to me, and I rather treasured this, that one was unlikely to gain much love from this job. The most one could hope for would be respect. Well, that's absolutely fine by me."

● PERSONAL FILE

1939: Born. Educated: Chesterfield School and Queens' College, Cambridge (economics)

1961: Joined Treasury.

1970-3: Seconded to International Monetary Fund, Washington.

1973: Assistant Secretary, Treasury

1977: Joined Bank of England as Chief Adviser, then Chief of Economic Intelligence Department

1982: Appointed executive director of the Bank

1988: Chairman of SIB from June 1.

JUSTINIAN

Malaysia and the rule of law

THERE SUBSISTS among judges and lawyers of the Anglo-Saxon systems of the Commonwealth a special relationship. But whenever the independence of the judiciary in a Commonwealth country is threatened by executive government – as in Fiji last year and now in Malaysia – the normal quiescence of that relationship is instinctively aroused.

The suspension last week of five of the 10 judges of the Supreme Court of Malaysia is the culmination of a continuing battle between Dr Mahathir Mohamad, the Prime Minister, and Tun Salleh Abas, the Lord President.

The hostility between the Prime Minister and the country's highest ranking judge is traceable to a decision of the Supreme Court in January 1987, when the courts quashed a decision of the Government which had ordered the deportation of the Asian Wall Street Journal's correspondent in Kuala Lumpur. The Prime Minister reacted publicly to this rebuff. For his pains he faced contempt of court proceedings initiated by the leader of the opposition party. In the course of those proceedings the trial judge made remarks unpalatable to the Prime Minister and the Court of Appeal commented on the proper function of the judiciary and its relationship with government.

Thereafter speech followed counter-speech and, at a launching of a book Law, Justice and the Judiciary in January this year, the Lord President is alleged to have made several statements discrediting the Government "and sought thereby to undermine public confidence in the Government's administration of Malaysia." In particular the Government was incensed at a remark in which the Lord President complained that the judiciary had no say in the allocation of funds, "not even in determining the number of staff needed for the running of its own system." The Lord President was said by the Prime Minister to be guilty of imputing that the Government ignored the important role of the judiciary in the nation's governance.

In March there were further clashes. A High Court judge granted habeas corpus to a distinguished advocate and MP, Mr Karpal Singh, from detention under the Internal Security Act. Dr Mahathir immediately appealed. The Lord President fixed the date of the appeal for June 15 before a bench of five judges, considering that the circumstances of Mr Karpal Singh's rearrest and detention and the adjournment of a second habeas corpus application called for an expedited hearing. Simultaneously there was troublesome litigation for the Prime Minister in a court decision affecting the ruling party. That, too, was accorded priority.

Before those cases came on for hearing the Prime Minister took the extreme step of invoking a constitutional provision for dealing with recalcitrant judges. Malaysia's King, Sultan Mahmood Iskandar, at the request of the Prime Minister, appointed a tribunal to investigate and recommend whether it was necessary that the Lord President should be removed from office because of misconduct or any other cause rendering him unable to discharge his functions. It is that tribunal's composition that led to the suspension of the five judges.

The five had sat at very short notice to hear an application by the Lord President for an order prohibiting the tribunal from investigating the charges and submitting recommendations. The main ground for the application was that the tribunal's composition should be a matter solely for the King and not of advice from the Cabinet or a minister.

The tribunal is composed of six members, headed by the Chief Justice of Malaya. He is joined by the Chief Justice of Borneo and two retired judges. Two outsiders to Malaysia were appointed – the Chief Justice of Sri Lanka and the Senior Judge of the Supreme Court of Singapore.

The Prime Minister, supported by the Chief Justice and the Attorney-General, was outraged at the Supreme Court's intervention, even though the five judges in adjudicating on the Lord President's application, were doing no more than according him a citizen's basic right to unimpeded access to the courts. Those opposed to Dr Mahathir are now considering contempt proceedings against him for his intemperate action in suspending the five judges.

Viewing it from other parts of the Commonwealth, judges and lawyers see an immediate solution only in the immediate withdrawal of the two judges on the tribunal who have come from Sri Lanka and Singapore. If they do withdraw, perhaps at least, a constitutional crisis which would engulf the judiciary of Malaysia in lasting damage might be averted.

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ARTS

West End cast changes

Martin Hoyle

That there is still a West End audience for theatre that is not musical, thrilling or farcical is hearteningly illustrated at the Phoenix, where Simon Gray's *Common Pursuit* attracts the enthusiastic young, the intelligent middle-aged, and civilised Americans. They all know what they have come to see and why, greet the in-jokes with unaffected laughter, and even (a disgruntled rival? an abused thespian?) start a one-man ovation for the jibe at how The Sunday Times chooses its drama critic.

Cast changes in this near 20-year saga of Cambridge friends making, breaking or blowing it in Academe, publishing and media punditry to a descant of emotional entanglements, have replaced the starry professional funny men (Mayall, Sessions, Fry) with less incisive performances. Mr Gray's often bilious muse is here in clubbable, almost mellow mood.

John Gordon Sinclair has moved from the coffee-table academic to the Tynanesque TV presenter. He remains the affable, gangling sixth-form clown, good-natured but nowhere convincing as media careerist, literary hatchet-wielder or suicidal smoker. Jason Carter's compulsive fornicator and professorial muddler is nearer the mark; and Patrick Barlow as the homosexual philosophy don, initially a little too old, injects an acerbic element with his prim, thin-lipped disapproval – less compassionate than his predecessor, I suspect, but all the more real for that.

The central character is shadowy and James Wilby does nothing to flesh him out. As if stifled by the insipidity of his films (*Maurice*, *Handful of Dust*) he remains a passive figure to whom things happen, a recipient. Of the original cast, Sarah Berger's golden RSC promise of some years back has dulled. She really should get over crucial lines such as the revelation of her affair with everyone's best friend, decent, mousey Martin (news that should shock *us* besides the on-stage characters) better than this. Paul Mooney's Martin, likeable, loyal, the unexpected winner in the sexual stakes, is a beautiful performance.

Ultimately nothing much *happens*, as opposed to being reported. The piece is like a television sit-com where the head of the family enters to applause with the cry of "Hello, darling! I'm home." Here they burst in with accounts of the latest Arts Council grant, career lurch or adulterous imbroglio. The form would be appreciated by the audience at the Albery: a number of young people with large square-cut heads, with whom you would not contest the elbow-rest in a tube without being thumped. They are presumably there to see Tom Watt of *EastEnders* assume the title role in Larry Shue's *The Foreigner*.

There are different strands in this messy, one-joke play that might be worth disentangling, but the house laughed its head off at the most obvious jokes and the production seems to have settled for the lowest common denominator. As the reticent nonentity who feigns incomprehension of English to avoid unwelcome social contact and is forced to keep up the pretence after becoming everyone's favourite (because harmless) confidant, Mr Watt displays a smile of winningly bright inanity but lacks the varied technique to make much of the comic set-pieces. Best performance: Boston-reared Catherine Furshpan, a young actress of warmth, spirit and intelligence who will probably be overlooked by the unlovable fans of lovable Cockney soapers.

Exclusive Yarns/Comedy

Michael Coveney

There is a section of the television-watching community that finds *Dynasty* and *EastEnders* worthwhile. Critics write about them as if they mattered, whole newspapers are devised around their gossipy accretions. Even trashier serials like *The Colbys* and, worst of all, *Neighbours*, command huge viewing figures.

These addictive palliatives are now celebrated in a sharp but slight, naughty but nice, funny but faceless, little and not very large entertainment scripted by Gary Lyons and Stewart Permutt.

Exclusive Yarns is a low camp distillation of all known soapy clichés mixed with a parallel study of its male fan club whose members dress up as the televisual habituées of a Primrose Hill wool shop. Originally seen on the fringe, the play has graduated to Channel 4 and now to the West End. It is slight, tenuous and fatuous. On its own terms, and to a limited cult audience, such adjectives may be terms of endearment.

The types will be identifiable. There is Susie Blake as the receptionist hoping for better things, Lesley Joseph as a grotesquely hip-swivelling Joan Collins overseer, Colette Gleeson as the wronged wife running a restaurant (called Tapioca's), and Pam Ferris, flattening all Shared Experience credentials, as the alcoholic head of a failed nanny agency who has been dried out more times than Esther Williams.

Their fans of the second scene meet in Ian's spare room and have just recruited a married London Transport employee of confused emotional orientation ("I like wearing a dress, but I'm not gay"). The touchstone enthusiast is Barry Martin's cunningly inflected Jewish suburbanite who dresses up as a woman in order to get away from the wife.

That wife, brilliantly doubled by Lesley Joseph, turns up in Act Two sounding like Miriam Karlin in *Torch Song Trilogy* to console the disappointed loyalists of the soap whose bubbles have burst. Their liaisons and tantrums hold no fear for her. "Nothing shakes me; I've done meals on wheels for ten years."

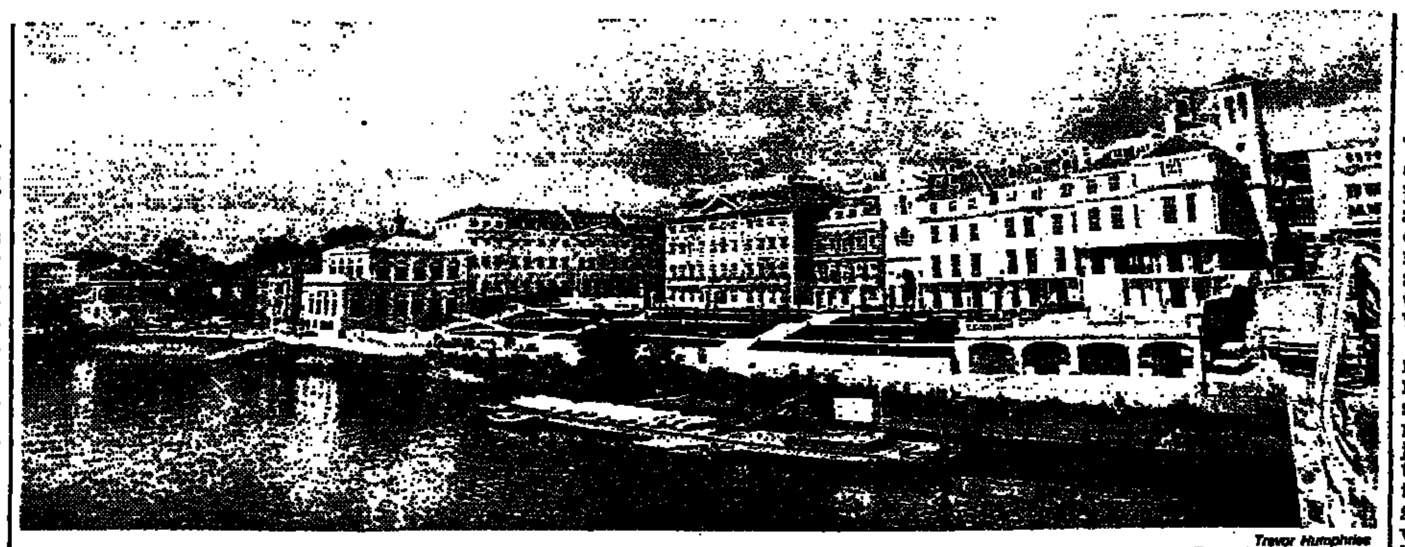
The construct becomes fleetingly interesting when the worlds of showbiz and over-identification collide. They do so in suicidal circumstances, actresses preening before deprived admirers. Ferris and Geeson are particularly good here, and Robert Howie has a chance to move his performance as the scorned Ian a notch or two above the level required by lines such as "Ever since Malcolm joined in, our parts have become smaller."

Developments on Primrose Hill are of the grisliest architectural kind, but the sacked actresses are brought back by popular demand. Dermot Hayes has designed an ingenious, beautifully painted amalgam of artisan kitsch and domestic fantasy. The songs, only two, are dreadful.

Jose Ferrer to make British debut

Jose Ferrer is to make his British stage debut in *Ring Round the Moon* by Jean Anouilh, the fourth and final production at the Chichester Festival Theatre which opens on August 3.

Directed by Elijah Moshinsky with music by Richard Rodney Bennett, the cast includes Michael Denison and Googie Withers.



Trevor Humphries

Quinlan Terry's Riverside Development by the Thames at Richmond in south-west London

Architecture/Colin Amery

Classicism down by the riverside

I wanted to write this review in Latin. It ought to have been perfectly possible but, *mea maxima culpa*, I have not worked hard enough or long enough on the traditional language to enable me to express myself with total felicity. The fault lies with me, not with the ancient and noble tongue.

To build today in the classical language of architecture demands the sort of training and application that is needed to acquire fluency in an almost lost language.

These thoughts came to me as I contemplated the new Richmond Riverside – a large development by the Thames designed in a mixture of classical styles by the architect Quinlan Terry. It is a strange sensation to stand on the bridge at Richmond, built in the 1770s, and look at a range of classical façades built in the 1980s.

There are some 28,000 or so architects in England and there are probably only eight who could build as well as this, using the traditional classical forms. This is not a reflection upon the tradition but a reflection upon the appalling state of architectural education. Architectural schools have rejected tradition, practically stopped teaching history, and in the past 40 years or so have taught only the dogmas of the Modern Movement.

It is very important for anyone who is interested in architecture to go to Richmond and contemplate Mr Terry and Haslemere Estates' achievement by the Thames. It will prompt many thoughts about the state of the art of architecture. Is the whole thing a dreadful sham – merely a set of old clothes draped around some modern offices and shops? Or are the care, sense of proportion and the humane scale showing us that it is perfectly possible to build harmoniously in our towns and cities? Is it a demonstration of Mr Terry's total mastery of the classicism or a mishmash of half understood devices that does nothing to expand the traditional language?

Richmond Riverside is a large development. It is immediately to the north and west of Richmond Bridge, bounded by Bridge Street, Hill Street, Water Lane and the towpath on the Thames. The site covers 3¼ acres, and had for a long period been the subject of planning debates. The old Victorian Town Hall, Heron House dating from 1716, and the Italianate villa with a belvedere tower by the bridge (one of a several in Richmond by the Victorian architect Laxton) all demanded to be respected.

Back in the early 1980's there was another proposal for a more ruthless exploitation of the site, but the public voted overwhelmingly in favour of the Terry scheme. Richmond's riverside and the marvellous Georgian and early 19th century houses on The Green and in the town demanded sympathetic neighbours. Quinlan Terry has responded to this as well as to the demanding commercial brief, providing more than 100,000 square feet of offices, more than 10,000 square feet of shops, some (but not enough) flats and basement car parking for 135 cars. On the long river frontage there is a handsome garden with steps, ramps and cypresses, paved squares, quadrangles, and even a fountain.

In the past Quinlan Terry has been considered mainly as a designer of small country houses and garden ornaments. His recent Howard Building for Downing College, Cambridge, is a rather strange and muddled Mannerist exercise. The planned rebuilding of the Roman Catholic cathedral at Brentwood may well turn out to be his most interesting work.

With his largest urban development at Richmond he has been very catholic within the classical canon. I think he is wrong not to see any virtue in modern architecture, but accept that he must therefore be judged on purely classical criteria. The Classical Orders must control the whole of any real Classical scheme. At Richmond we have only Classical façades. "But," I hear perceptive readers say, "what about Nash and what about the scenographic tradition of English Picturesque Classicism?" Richmond certainly fits into that, but it does not have the subtlety of Portmeirion or the grace of Nash.

Mr Terry has really designed at least ten different buildings here. He has broken up the speculative office blocks and made them read as houses, even as small merchant palaces, and used stylistic variety to define separateness. Classical sources are as various as Chambers, Palladio, Baroque Rome, Greek Revival and even Venetian Gothic.

The Venetian Gothic façade on Bridge Street sits on extraordinary debased Corinthian columns and further on, as the shopping colonnade goes along the length of Hill Street, on large baseless Doric columns that vary in height with the gradient. The largest office building in the scheme is called The Castle, replacing the rather innocent and charming William IV Castle Hotel. The long range of offices is modelled on the Chambers design for Richmond Palace: stuccoed with a pedimented Corinthian centre element; it has a curious entrance on the ground level when any 18th century building of this length would have had an entrance with a grand flight of steps. Right on the river is the Venetian restaurant.

Terry is bad at roofs. He had to accommodate air conditioning and plant and has ingeniously inserted grilles in cupolas and eaves, but the pitch and scale is often just wrong. I feel that if Classicism is to revive itself architects have to realise how difficult it is. As Lutyens wrote about the Classical system: "to the average man it is dry bones but under the hand of a Wren it glows and stiff materials become as plastic clay . . . It is a game that never deceives . . . It means hard thought all through – if it is laboured it fails."

Has Quinlan Terry yet learned how difficult it is? I feel his Richmond scheme gives great pleasure because it is thoughtful, rich and amusing, giving a lavish coating to a conglomerate of shops and office. But on my visit I never felt a single moment of aesthetic excitement. In fact I found the architecture of the minor early 19th century cottages and pubs around this scheme more rewarding, probably because inside those cottages I know there will be lovingly detailed arches, fireplaces, cornices and Classical plans. If at night Richmond Riverside is one long series of florescent open offices, then the inadequacy of the development is revealed. Undeniably this is a very pleasing place to be. It is full of old fashioned charm – and charm, as we know can be false as well as a genuine reflection of character.

Lohengrin/Covent Garden

Richard Fairman

The swan in this revival of *Lohengrin* is running a fully-booked passenger service at the moment, as singers of the title-role have come and gone with remarkable rapidity since Placido Domingo announced that he would not be turning up to give us his first Wagner role in London.

By this, the penultimate performance of the run on Saturday night, there had been changes in several of the other principal roles as well. More by luck than judgement the Royal Opera found that it had succeeded in bringing together a cast that was exclusively German in origin, and the virtue of that shone through handsomely in some strong and idiomatic portrayals that pushed Wagner's text forcefully across the footlights.

The young soprano Mechthild Gessendorf started this season by coming to the rescue of the Royal Opera's *Tannhäuser* and she has now ended it by doing the same favour for its *Lohengrin*. Ideally one might like the virtuous Elsa to be sung with a more relaxed purity than Gessendorf can provide; but shes uses her bright and tense voice with immense control and generates a lot of dramatic excitement from what is generally regarded as a passive role.

Indeed, the only passive element among a cast who seemed determined to play the opera for all its worth was the Lohengrin himself, who was sung at this performance by Eberhard Büchner. This was a case of admirable intentions only partially realised: one was left wishing that so many sensitive ideas, especially in the singing, could be liberated from a performance that had been put together in such a self-conscious manner.

No problems of that kind from the Ortrud and Telramund: Gabriele Schnaut and Hartmut Welker, tough singers both, who aroused a visceral force from their scene together in the second act despite the prosaic accompaniment in the pit from Jeffrey Tate. It bodes well for Wagner over the next couple of decades that there is a new generation of German singers like these with the sheer vocal power and stamina to keep the operas alive.

James Taylor/Albert Hall

Antony Thorncroft

There is a myth that pop stars are invariably found dead in wrecked hotel rooms, aged circa 31. The truth is that they age beautifully (thanks to the money), even the oddballs. At one time there was none more oddball than James Taylor, who in his brief public appearances between heroin addiction and trips inside mental asylums used to sing plaintively about travelling down the dusty highway carrying a broken heart. But that was nigh on 20 years ago.

Now there is a James Taylor who puts on one of the most relaxed, musical and gently humorous shows around. You can tell it is *the* James Taylor beause he wears the same baggy grey flannels and braces and has the hairiest bass player in the world, Leland Skar, still in the band.

But what a difference. Taylor's own long lank hair, which added much to his wounded spaniel appeal, has almost completely disappeared, but so has the anguish. His new music is up beat, and instantly if not deeply appealing, and trendily global in its influences.

Taylor now actually gets the girl in his new songs like "Sweet potato pie," and so he should. I know he has had plenty of practice in developing a stage act, but even so he is comfortably amusing as he eases into the interval, " a thing we do superbly well," introducing songs from the past that might otherwise embarrass him, like the soupy "You've got a friend", as "my heavy metal number."

In fact the whole evening is a pleasant surprise. Taylor has always been good at annexing the best songs of others, so "Handyman" and "Up on the roof" were welcome encounters with old friends. He even gets his friendly band, padded out with two backing singers, to twist at one point.

It is the blend of the old and the new which creates a warm, satisfying feel – the simple minimalist melodies of the early 1970s, like "Fire and Rain," then the calypso-ish numbers of a few years later like "Lighthouse" and "Joshua gone Barbados," up to the, "gosh, we've survived" anthems of today, like "Never die young." They are helped by Taylor's true and musical voice.

So when at the end he sings, alone, "Sweet baby James" you forget the nerve rending tension which accompanied the song in 1970 and see a comfortable, successful man performing his party piece with detached nostalgia, and you join in the reunion euphoria.

Weighing the Heart/Sadler's Wells

Clement Crisp

As part of the Almeida Festival, Second Stride ended last week in Rosebery Avenue with three performances of *Weighing the Heart*.

This is the exercise in pinning the tail on the religious donkey – more by luck than judgment – which I reviewed from last year's Brighton Festival. I was less than enchanted then; renewed acquaintance suggests that the piece is more slick in presentation, but no less slick in forcing relationships between a variety of myths and sacred texts where none actually exists.

I am not sure whether, in fact, the piece merits consideration under a dance heading. The company numbers some fine dancers in its roster – Philippe Giraudeau, Michael Popper, Sally Owen – but Ian Spink's choreography makes few demands upon them other than in matter of displays of temperament. The interest resides more in production ideas, and the power of the performers to sustain our belief in what they are doing during arcane and often incomprehensible incidents.

There are two and a half pages of programme notes and information to explain and justify what we see, but nothing is made clear on stage in the first part of the evening, which conflates narrative from *The Magic Flute* with elements from the story of Tobias and the Angel. Only in the closing sequence, when Tamino and Pamina are shown as wedding and funerary icons, pinned with paper money and flowers, surrounded by a small harvest festival of produce, did I feel that *frisson* of theatrical life which transforms the pedestrian into the mythic.

The performers must sustain our interest as they tackle ideas that are sometimes incomprehensible

The second half of the evening, wherein Mohammed, Hecate, St Antony and Simone Weil (among others) are involved in little mime scenes, leaves no doubt as to what is going on, but no compensations of dramatic flair. It is all too clear how these characters are being put through their dull little paces, and all to obvious that the production is not able to illuminate their identities for us.

There is, throughout the evening, an accompaniment – excessively and headachingly loud – from the band "Man Jumping." Of the torments variously suffered by Mr Spink's characters, this is surely the worst.

Carmina Quartet/Wigmore Hall

Paul Driver

This young ensemble, founded only in 1984, and trained by some of the illustrious practioners of the quartet-player's art (Sandor Vegh, the Amadeus members), is already one of the best string quartets you could hope to hear. On Saturday it gave the first of two Wigmore recitals (the second next Saturday) and made a stunning impression.

The playing is immensely refined but never precious, very powerfully projected on occasion but always lovingly detailed. It is a quartet of streamlined technical perfection which also rejoices in the opportunity for musicianly *little touches of rubato and portamento*. Its collective sound is clear, fresh and slightly sparkling: tone is never forced, never harsh - indeed the Carmina is able to produce a sweetness of tone that is wonderfully uncloying.

All these virtues were apparent in their first item, Haydn's fascinating Quartet in B minor, op. 33 no. 1, and more besides - particularly the way in which the inner parts were subtly coloured and made responsive to the faintest musical pressure. The performance conveyed a sense of alert (Haydnesque) intelligence and an ear for fine-spun texture. The *Presto* finale was done with the liveliest virtuosity.

The next programme from this young ensemble is sure to be one that should not be missed

Schubert's *Quartettsatz* began with a splendidly achieved scrubbing crescendo and continued with a main tune strongly sung on its first appearance but exquisitely feathered on its second. The players commanded the widest dynamic range and had the full measure of this extraordinarily compressed yet burgeoning piece of music.

Schubert's *Death and the Maiden* received an altogether magnificent account. The Allegro first movement was detailed and dramatic in equal proportions: exhilaratingly driven but memorable for its instances of individual virtuosity and finesse. The famous *Andante con moto* brought heartbreak to perfection and reminded one of Joubert's remark that "*pure* griefs are equivalent to joy." The finale had an almost terrifying tonal intensity at climaxes. Next week's programme of Haydn (op. 76 no.1), Bartok (no. 2) and Mozart (K. 387) should not be missed.

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Arts Guide

July 8-14

OPERA AND BALLET

LONDON

Royal Opera (Covent Garden). Andrey Tarkovsky's visually stark and striking Boris Godunov production returns with its original bass, Robert Lloyd, in the title role, and a cast including Vladimir Popov, Robert Tear, Stefania Toczyska, and Gwynne Howell. James Conlon conducts. The unsatisfactory Peter Wood production of Don Giovanni returns with a superior cast (including Thomas Allen, Stafford Dean, Kiri Te Kanawa and Stuart Burrows) and Colin Davis as conductor. Gwyneth Jones's performance of Strauss's Elektra is one of the most compelling the Opera House has seen in some while. The other cast members – Helga Dernesch, Ruth Falcon, Willard White, Kenneth Woollam – are first-rate, as is Gerd Albrecht's conducting. (240 1066).

PARIS

Cologne Opera (Théâtre des Champs Elysées). La Gazza Ladra, conducted by Iwan Fischer, is a vivacious and colourful production which brings to life Rossini's mixture of comedy and pathos. The opera semi-seria is co-produced by the Paris Opera and the Théâtre des Champs Elysées (47.20.36.37).

Paris Opera (Palais Garnier). Pier Luigi's production of Norma, conducted by Maximiano Valdes, holds brilliantly the strands of the romantic tragedy. It alternates with a production of Faust by Jorge Lavelli in which, against a metal and glass background, Faust and Mephisto become two facets of a dual personality. (47.42.57.50).

NETHERLANDS

Amsterdam, Muziektheater. London Contemporary Dance Theatre with John Somebody (Newman/Johnson); Songs, Lamentations and Praises (Cohan/Burgon), and And Do They Do (Davies/Nyman). (255 455).

WEST GERMANY

Bonn, Opera. Giancarlo del Monaco's production of Der Liebestrank, with Krisztina Laki, Dalmatio Gonzales and Brian Schexnayder, closes the 1988 season.

Frankfurt, Opera. Peter Mussbach's production of Il Barbiere di Sivigila has its première this week, with a cast including Alice Baker, Jozef Kundlak, Enzo Dara and Alessandro Corbelli. Jenufa is revived with Helena Doses outstanding in the title role. Der Wildschutz, conducted by Volkmar Olbrich, will be offered for the last time this season. The cast is led by Josephine Engelskamp, Elsie Maurer, Susanne Freyler and Jerrold van der Schaaf.

ITALY

Milan, Teatro Alla Scala. Zeffirelli's production of Turandot, conducted by Lorin Maazel, with Ghena Dimitrova, Fiamma Izzo d'Amico, Milena Pauli, Nicola Mart Inucci and Silvestro Sammaritano. (80.91.26).

Ravena Festival, Rocca Brancaleone: Turandot, conducted by Hubert Soudant and produced by Pier Luigi Pizzi, with Maria Dragoni, Cecilia Gasdia and Antonio Ordonez, and the orchestra and chorus of the Bologna Teatro Comunale (Tues and Thur). Loggetta Lombardesca: works by various choreographers under the title Byron, Tchaikovsky, Manfred, Astarte and Others. The programme is danced by Carla Fracci, Virginio Gassolo, Alessandra Althoff and Giuseppe Botta, produced by Beppe Menegatti and conducted by Karl Martin. (32577).

Verona, Arena Di Verona. Traditional production of Ponchielli's La Gioconda by the French director, Jean Claude Avry, conducted by Christian Badea (musical director at Spoleto until last year). The cast includes Giovanna Casolla, Bruna Baglioni and Silvano Carroli. Repeat of Pietro Zuffi's 1987 production of Aida, with glittering metallic sets and costumes, conducted by Donato Renzetti, with Maria Chiara, Fiorenza Cossotto and Franco Bonisolli as Radames. (590.109).

WASHINGTON

Paris Opera Ballet (Wolf Trap Festival). A week-long visit includes performances of Cinderella and Rudolf Nureyev's re-fashioned Swan Lake. Ends July 17. (432 0300).

TOKYO

Macbeth (Verdi), with Shirley Verrett, Justino Diaz and the Fujiwara Opera Company, conducted by Michelangelo Veltri and directed by Paolo Trevisi. Tokyo Bunka Kaikan (Mon, Wed, Thurs). (371 5384).

Kudiyattam: Classical Dance Drama of India. Laforet Museum, Akasaka (Mon). (461 0993).

Zephyre. World première revival of an opera ballet by Rameau, conducted by Jean-Claude Malgloire with the Baroque Orchestra of the Tokyo Summer Festival. Produced by Francois Raffinot. Shinjuku Bunka Centre (Wed). (350 1141).

MUSIC

LONDON

Dizzy Gillespie Big Band with Chuck Mangione. Royal Festival Hall (Mon). (928 3191).

City of London Sinfonia and London Concert Choir, conducted by Andrew Lucas with soloists. Mozart and Haydn. St. John's, Smith Square (Tue). (222 1061).

Carlos Santana and Wayne Shorter. Royal Festival Hall (Wed).

WEST GERMANY

Schleswig Holstein. This summer's festival has been extended to 176 concerts in 29 different vennes. World class musicians will be performing in small villages from the island of Sylt in the north to Wotersen in the south, as well as in Manburg and Luneburg. They will be playing in manor houses, barns, churches and riding stables.

One of the main aims is to attract and support young talent: there will be 18 master classes with Siegfried Lorenz, Heinrich Schiff, Elisabeth Leonskaja, Sachar Bron, Nina Dorliac and Lew Mannow, among others, in Lubeck's music school.

The festival's orchestra, trained throughout the summer by Leonard Bernstein and Sergiu Celibedache, will then go on a concert tour of West Germany.

Highlights are the Festival Orchestra, conducted by Leonard Bernstein and Sergiu Celebidache and Christoph Eschenbach; Guiseppe Sinopoli and the Philharmonic, and Iona Brown conducting the Academy of St. Martin-in-the-Fields. Soloists include Gidon Kremer, Shlomo Mintz, Boris Pergamentschikow, Heinrich Schiff, Bruno Leonardo Gelber, Elisabeth Leonskaja, Svjatoslav Richter, Alexis Weissenberg, Lucia Popp, Dietrich Fischer-Dieskau, Hermann Prey and Peter Schreier. Schleswig Holstein Festival, Postfach 3840, 2300 Kiel, West Germany. (0431 81070).

NETHERLANDS

Amsterdam, Concertgebouw. The European Community Chamber Orchestra, conducted by Ivor Bolton, with a programme of Myslivecek, Haydn, Paisiello (Thur). In the Recital Hall: a recital by the winner of the 8th International Piano Competition (Mon); guitar recital by Roberto Aussel (Wed). (718 345).

Amsterdam, Nieuwe Kerk (Dam Square). A candlelight concert by The Academy of the Begijnhof under Roderick Shaw: Purcell (Thur).

NEW YORK

Mostly Mozart Festival. Opening special event of the festival has the Mostly Mozart Festival Orchestra, conducted by Gerard Schwarz with Vladimir Feltsman (piano) and Frederica von Stade (mezzo-soprano) in a programme of Mozart and Haydn. Avery Fisher Hall, Lincoln Center (Tue). (874 2424).

Aviva Aranovich piano recital, Haydn, Schumann, Chopin, Bartok. Free concert at IBM Atrium, 56th & Madison (Wed 12.30 mat).

St. Luke's Chamber Ensemble, with Scott Kuney (guitar). R. Strauss, Dvorak, Boccherini. Caramoor Festival, Bedford (Thur). (914 232 5035).

CHICAGO

Ravinia Festival. The Beaux Arts Trio plays Haydn, Beethoven, Tchaikovsky (Mon). Chicago Symphony Orchestra, conducted by Vladimir Spivakov with Ray Still (oboe) presents an all-Mozart programme (Wed). (728 4642).

TOKYO

Vernon Handley conducts the Yomiuri Nippon Symphony Orchestra, with Rainer Kuchl (violin). Mendelssohn, Mozart, Dvorak. Suntory Hall (Tues). (270 6191).

Philharmonisches Oktett Berlin. Mozart, Beethoven. Suntory Hall (Tues). (235 3201).

Tokyo Philharmonic Orchestra, conducted by Jukka-Pekka Saraste, with Izumi Tateno (piano). Debussy, Khachaturian, Bartok. Tokyo Bunka Kaikan (Thurs). (256 9696).

Shinsei Nihon Symphony Orchestra, conducted by Kazuo Yamada. Haydn, Mahler. Suntory Hall (Thurs). (985 4836).

Saleroom/Antony Thorncroft

Turner set to exceed £6m

There is no doubt about the event of the week. On Friday Christie's will offer one of the most important paintings by Turner which is still in private hands. It is entitled "Cicero at his villa," and was painted in 1839. Turner believed that the classical world still existed in contemporary Italy, and his fantasy is given full reign in this golden landscape.

It was bought by the Victorian steelmaker Joseph Gillot, the greatest collector of his day, and is being sold by Evelyn de Rothschild whose father, Anthony, acquired it in 1929. It is expected to sell for more than £6m.

The United Kingdom is flush with Turners, with the the Tate alone possessing many hundred, so there should be no restraints on an overseas buyer acquiring the work. The Japanese are known to be very keen on this early Impressionist. A painting by the Swiss-born artist Jacques-Laurent Agasse of two leopards playing should top £1m. Agasse was a frequent visitor to Polito's Menagerie in the Strand and painted this impressive pair in 1808.

Sotheby's will hold its major auction of British pictures on Wednesday, and the star lot is by Fuseli, another Swiss-born artist who made his career in England. It is a scene from *Paradise Lost*, one of 48 that Fuseli painted under the inspiration of Milton's work. It was exhibited at the Royal Academy in 1780 and carries a top estimate of £300,000.

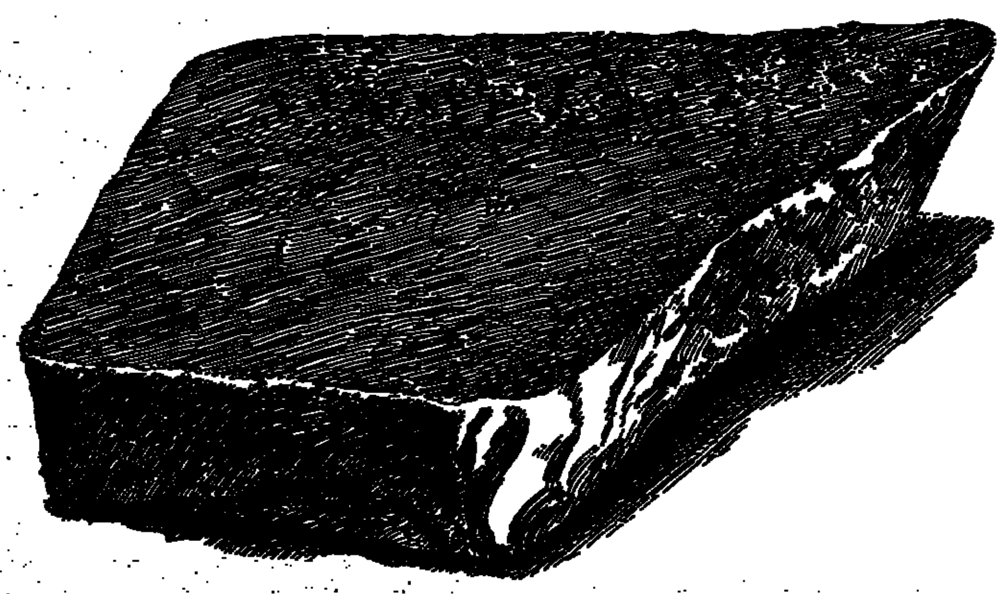
An oil sketch by Constable of a view in Dedham Vale, one of his favourite subjects, is on offer with a top forecast of £150,000. It has appeared at auction twice before, fetching 60 guineas in 1877 when the collection of Constable's son Lionel was dispersed, and 9,000 guineas in 1959.

Sotheby's has some good Egyptian pieces in its antiquities sale today, including a green glazed faience handle of a *sistrum*, a musical instrument often used in the rites of Isis, which dates from around 600 BC, and could make £40,000. There is also a fine amuletic figure of the ibis-headed god Thoth, of about 720 BC, which might make £30,000.

On Wednesday Christie's will hold its major summer sale of Decorative Arts from 1880 to the present day. It is unusual in including a great deal of furniture, in particular a set of 12 chairs made by Pugin well before 1880 for the Palace of Westminster, but later removed.

They are incorporated because of Pugin's influence on the modern movement. Another famous architect, Alfred Watargouse, was also a designer, and some chairs similar to those he concocted for Manchester Town Hall are also up for sale.

Using only these objects, try and win the Nobel Prize for Physics.



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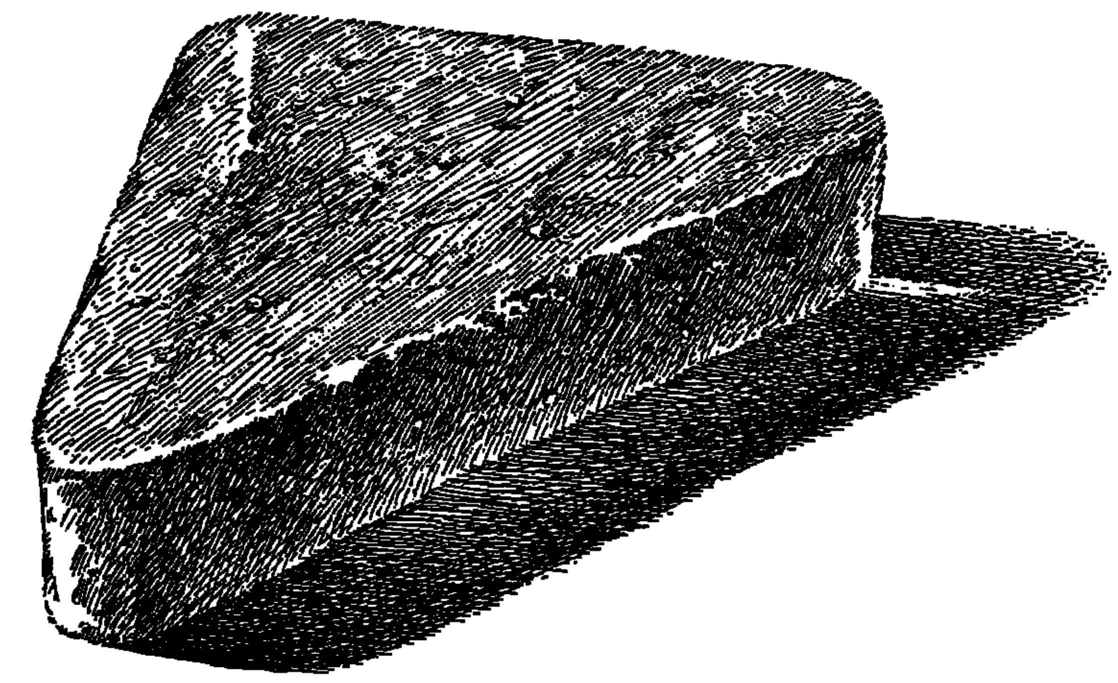

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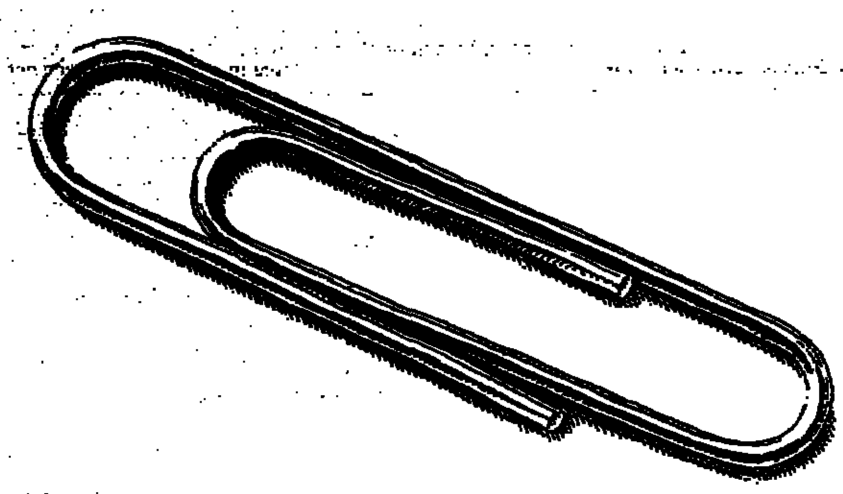

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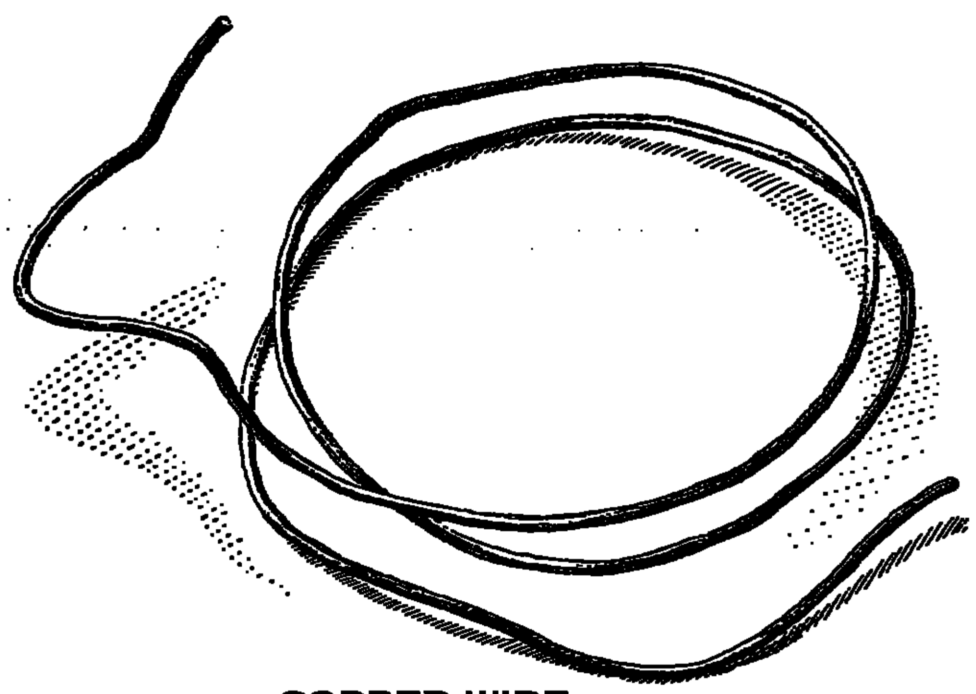

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Monday July 11 1988

Mexico's new politics

MEXICO'S ruling institutional party, the PRI, is not in the business of losing elections. Yet five days after the country voted in presidential and congressional elections last Wednesday, it still could not credibly prove that its candidate, Mr Carlos Salinas de Gortari, had won the highest office. Even Mr Salinas himself, with a display of honesty that can only be commended, conceded that the opposition had done well enough to turn Mexico, *de facto*, into a pluralistic political system.

That in itself is, by Mexican standards, a revolutionary development, and, as such, poses an enormous test to the body politic, even to the point of creating a constitutional crisis. In the firing line are not only Mr Salinas and his principal opponent, Mr Cuauhtemoc Cardenas, who led a broad-based coalition of the left, but also the amorphous mass of the PRI itself. In their respective but different ways, the two men clearly possess principles, whereas the party has principally been obsessed with power and the means of retaining it.

Thus, the interpretation that Mr Salinas chose to place on the election, while entirely in character for himself, must have come as a dreadful shock to the party machine. It is an admission that no amount of the old "alchemy" with votes could conceal the success of the opposition's campaign and it undermined the traditional arrogance of the PRI, which has always behaved as if it had a divine right to rule.

Economic policies

Several explanations may be advanced. The depth of support shown for the opposition may in part be a consequence of the economic policies which have been pursued by the De la Madrid administration and of which Mr Salinas has been a principal architect. The shift towards a more market-oriented and less interventionist approach in both domestic and external policy represents a sharp break with the PRI's traditional stance. The unprecedently strong showing of Mr Cardenas has shown that the PRI has lost its monopoly over Mexican nationalism.

An even bigger factor has been discontent over the style and tactics of the PRI apparatus. It has consistently sat upon a growing chorus of opinion within and without the party demanding greater pluralism. Where reforms have been made they have usually been too grudging.

Mr Cardenas is a direct product of such disaffection, starting out by offering loyal opposition within the PRI, then breaking from the party no more than two years ago in frustration over the inability to open up the presidential selection process. Admittedly he has been able to trade on the name of his father, Mr Lazaro Cardenas, Mexico's most respected president who nationalised the oil industry.

A rich irony

Apparent attempts to rig the vote in advance encouraged the Cardenas phenomenon. Here there is rich irony. Mr Salinas had everything going for him - youth, a respected political lineage linked to both left and right, intellectual brilliance and an impressive track record in turning round the Mexican economy in the midst of the debt crisis. Without the PRI's gerry-mandering he probably would have won a creditable victory.

In the aftermath of the election, it is vital that all sides understand that new ground rules must begin to operate. Mr Salinas must respect fully the presence of Mr Cardenas' broad left coalition and the right-wing PAN, the latter having been long denied a rightful say in the North. He must also begin a gradual decoupling of the PRI's previously inseparable linkage with the state that has fostered so much of Mexico's pervasive corruption. Only in this way can he demonstrate his electoral commitment to "modern politics".

This is not going to be easy because so many entrenched interests are at stake. The brutal murder of a close aide of Mr Cardenas in the election run-up shows the lengths to which these interests are prepared to go. The opposition is justified in pressing for evidence of ballot-rigging to be fully investigated. But moderation on all sides will be necessary if Mexico is to build on the genuine political advance which this election has marked.

Time to rethink National Savings

CAN A £36bn investment institution be turned on and off like a tap? That is the challenge being faced by Britain's Department for National Savings, which has been seriously affected by the Government's swing into fiscal surplus.

For the past few years National Savings has been contributing a steady £2bn to £3bn towards the funding of the public sector borrowing requirement. That means it has been obliged to maintain competitive terms for its products and achieve high gross sales because as a mature institution it has needed to offset a steady pattern of withdrawals of existing investments.

But these days the Government has little need to rely upon National Savings for new net funding. Accordingly the department's aims have been modified: it is now looking at the quality and structure of the National Savings debt rather than primarily at its quantity. Apparently this amounts to a concentration upon "sticky money," that is, savings which will be locked up for extended periods. This can be achieved, for instance, by paying bonuses on investments held for five years and discouraging early withdrawals.

Restructuring

At any rate, recent months have seen a consistent reduction in the rate at which money is being attracted. In May, for instance, the net contribution to Government funding was only £63m. The director, Mr John Patterson, says in his just-published annual report that the measure of success will no longer be the amount of money attracted each month but will be much less simple, based on such factors as whether customers are being induced to switch from mature issues of Savings Certificates to the new one, and whether non-taxpayers are getting the message that they can receive a gross income from National Savings products.

But is it time to take a more radical look at National Savings, which for comparison is about the same size as the unit trust industry? If the Government is serious about running balanced budgets for years into the future, does it need its own retail savings operation? It is 15 years since the publication of the Page Report, the last official review of National Savings. That made some important recommendations, including the winding up of the patriotic, voluntary collection arm of the movement, and the restructuring of the Trustee Savings Banks.

National Savings remains important as a service for small savers, often the elderly, who might not be well served by commercial institutions. But there is an artificial reason for this which could be removed: that banks and building societies are forced to deduct tax at the composite rate, and this tax cannot be reclaimed. Would not poorer savers be better served if the Government were to make it easier for private sector bodies to take on this role? In any case, it is a continuing scandal that many non-taxable investors continue to use taxable savings institutions for reasons of convenience, and suffer tax deductions.

Cheap finance

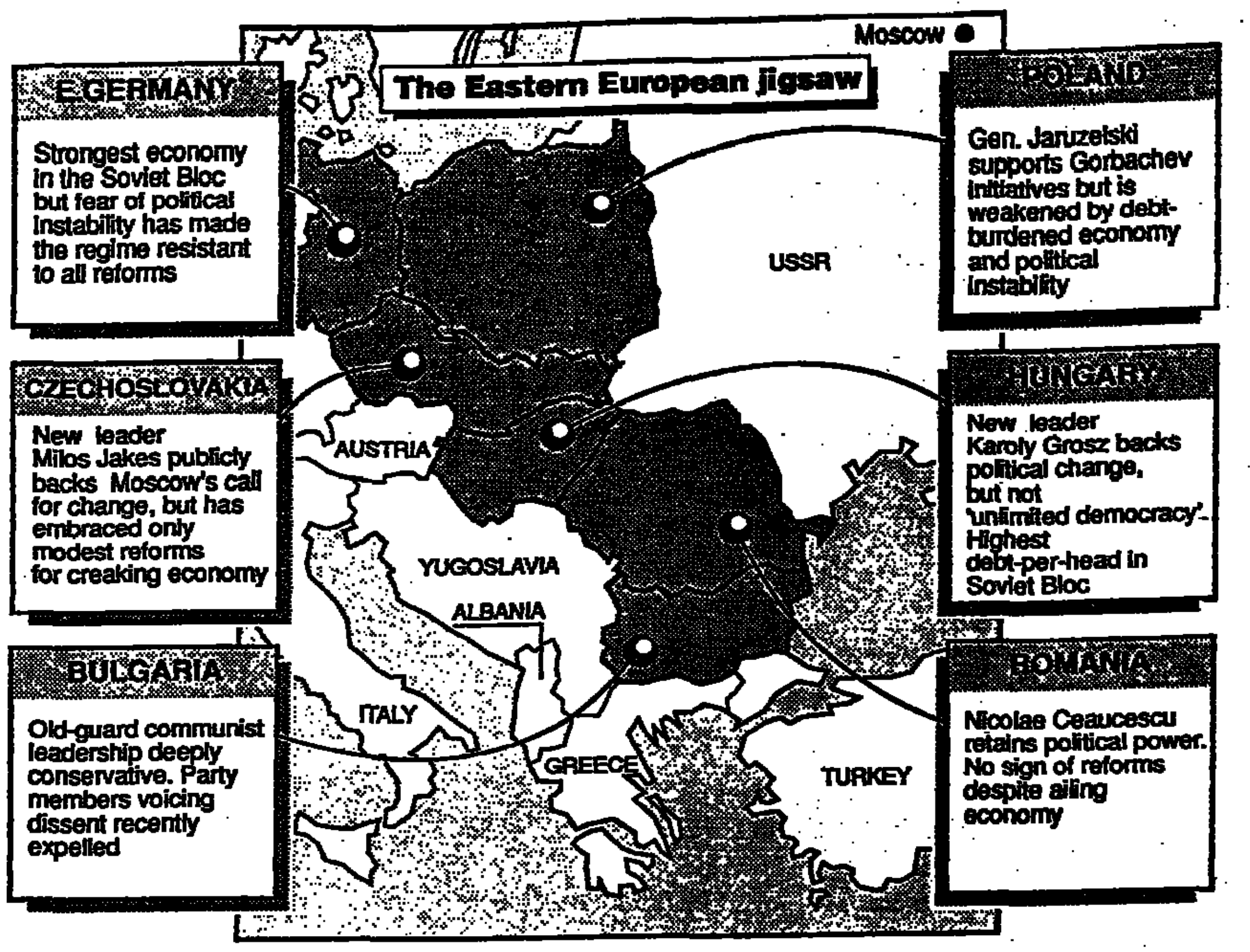
In running its own savings institution the Government is exposing itself to important conflicts of interest. Still on the same tax point, for instance, it has succumbed to the temptation to obtain cheap finance from poor savers by depriving them of the opportunity to obtain the most competitive tax-free rate (other than by using offshore accounts).

More generally, its lesser need for financing means that it will be offering less competitive rates to investors than in recent years. This is contrary to the interests of loyal savers. It is a strange decision, too, when the personal sector savings ratio is exceptionally low and there are increasingly strong arguments for raising savings incentives. A lower profile for National Savings also allows still more money to flow into the building societies to stoke up the dangerous house price boom still further.

If the Government is determined to retain the elaborate structure of the Department for National Savings, with some 7,400 staff members, because it may one day need it again, would it not make more sense to keep it fully loaded for the time being by selling private sector products through it? An even more radical approach, which certainly deserves consideration, would be for the whole process of selling government savings instruments to be privatised.

Judy Dempsey and Leslie Colitt report on a new era in Eastern Europe

Mr Gorbachev and his wary allies



WHEN Mr Mikhail Gorbachev, the Soviet leader, addresses the leaders of the Warsaw Pact in Poland later this week, he will be forced to confront his own paradox. After months of insisting that the Soviet model of glasnost and perestroika (openness and restructuring) should not be slavishly copied by other socialist countries, he will try to persuade his east European allies both to introduce economic reforms and to improve radically their human rights record.

The way in which this paradox is resolved will indicate what direction Mr Gorbachev's policy towards eastern Europe will take over the next few years.

Since the Communist takeover in eastern Europe after the Second World War, Moscow has been plagued by unrest in the region. It stemmed from the fact that the Communist system was imposed on political cultures, most notably in the Czech lands as well as in parts of Poland and Hungary, which had democratic traditions.

Over the years, sections within the ruling Communist parties and the opposition tried repeatedly to revive these political traditions either through open rebellion against Soviet domination or else by attempting to introduce far-reaching reforms within the Communist Party itself.

Now the east Europeans are faced with a situation which they themselves find difficult to respond to: for once, the Soviet Union is setting the pace and is advocating those reforms and radical changes once attempted by eastern Europe, but crushed by Moscow.

Mr Gorbachev's philosophy was best summed up in his closing speech during the Soviet special party conference last month: "The ultimate goal of perestroika is socialism with a human face." Ironically, this was the phrase used by Czechoslovak reformers during the Prague Spring of 1968.

Mr Gorbachev desperately wants to improve the image of socialism and he needs his allies to help him. Some of the allies are reluctant. Mr Milos Jakes, the Czechoslovak leader who was instrumental in purging the party after 1968, Mr Nicolae Ceausescu, the Romanian leader, Mr Todor Zhivkov, the Bulgarian leader and Mr Erich Honecker, the East German leader, are all less than enthusiastic.

Only the leaderships of Hungary and Poland are firmly in the reformist camp, but both countries suffer from badly weakened economies. Hungary has the highest per capita foreign debt in eastern Europe, followed closely by Poland. Hungary's fatal mistake was to introduce only partial reforms, which the father of the 1968 Hungarian economic reforms, Mr Rezso Nyers, noted are "worse than no reforms at all." Poland's weakness is the lack of a political consensus between the leadership and society without which reforms cannot take root.

The leader of the "big three" economies of eastern Europe, orthodox East Germany, stubbornly resists all reforms. The arch-conservative Czechoslovak leadership has half-heartedly drawn up partial economic reforms, but is determined to suppress any signs of political liberalism.

"The tragedy is that the reforms may have come too late for us," an elderly Czechoslovak reformer in the Prague Spring of 1968 noted recently.

Significantly, Hungary's new party leader, Mr Karoly Grosz, was the first east European to congratulate Mr Gorbachev personally on the party conference during a visit to Moscow. The Soviet leader returned the favour by noting that many of the reforms passed at the Hungarian party conference last May corresponded with his own perestroika programme.

Such parallels, however, are deceptive. Mr Grosz, in a recent interview with the FT, noted that the main difference between the Hungarian and Soviet reforms was that Hungarians made far greater demands on their government than Soviet citizens. Undoubtedly, he had in mind the newly founded independent trade union in Hungary and the rival youth organisation, which have challenged the party's domination of public life. The party can ill afford to permit these forces to spread without endangering its own position, as occurred in Poland under Solidarity.

Some of the demands for political change which Hungarians were making were "quite justified" Mr Grosz said, and had to be met. It was the demand for "democracy without limits" that was unacceptable.

But if Mr Gorbachev's reformist allies in eastern Europe are in such difficult straits, what of his allies who oppose reforms? Chief among them is East Germany, the region's number one economic power and Moscow's leading trading partner. In much the same way that West Germany has served as a model capitalist economy since 1949, East Germany has demonstrated that even a Stalinist command-type economy can be made to work. East Berlin's centrally planned and minutely controlled economy has produced one of the highest growth rates in Comecon – 4.1 per cent in the first half of this year.

But stifling controls and a lack of incentives throughout the economy have left East Germany largely uncompetitive with the West. The conservative leadership in East Berlin fears that liberalising the economic and political system would threaten the very existence of socialism in East Germany. Many East German party members believe the Russians made a mess of building socialism and are unlikely to do much better in reforming it.

Czechoslovakia, while officially espousing economic reforms, likewise has no intention of reducing the party's role in the economy. Prestavba, as perestroika is known in Czechoslovakia, is not to be fully implemented in the economy until 1991. Meanwhile, the once-vaunted Czechoslovak industrial machine is creaking out obsolescent goods which last year led to huge stockpiles of unsold products.

Mr Jakes is by no stretch of the imagination a political reformer. As head of the party's control commission, he was in charge of purging the party after the ousting of the reformist Alexander Dubcek in 1968.

Against this background, what does Mr Gorbachev want from eastern Europe, given his pledges not to impose his own model on the region?

The last thing Mr Gorbachev wants is instability. He is not putting pressure on Mr Honecker, nor on the recalcitrant Mr Ceausescu. He has heeded the repeated warnings of East German officials that the German Democratic Republic could rapidly become destabilised by introducing reforms which the population misinterpreted as a signal for all-out liberalisation.

Yet precisely because his radical views have raised expectations among the citizens of eastern Europe, who now avidly read the Soviet press and look at Soviet television, the pressure for change from below could actually lead to instability. The emergence earlier this year of a Green movement, in Bulgaria, of all places, showed that its normally docile intellectuals, inspired by changes taking place in the Soviet Union, felt confident enough to try to air their views.

However much some east European leaders may be dragging their feet, the pressure on the authorities from below to respond to the Soviet changes is increasing. Unless these rising expectations can be matched with corresponding changes at the top, Mr Gorbachev could face trouble in his back yard.

This is why he must tread carefully in eastern Europe. Contrary to some arguments that the Soviet leader has virtually ignored eastern Europe since taking power – on the grounds that he has enough problems at home – the change of style in Soviet-east European relations suggests that, in certain areas, a much tighter framework now functions compared to the latter days of Mr Leonid Brezhnev.

On a purely administrative level, there are now new Soviet ambassadors in Warsaw, East Berlin, Sofia, Bucharest and Prague. Younger Soviet diplomats enthused by perestroika have been sent into the embassies in the east European capitals. Mr Gorbachev consults the allies more regularly and comprehensively on a wider range of issues than his predecessors – and listens to different views. Above all, Mr Gorbachev wants his own men on the top in these countries.

A striking example of just how closely Moscow watches the situation was the replacement, during the Hungarian party conference last May, of Mr Janos Kadar as party leader by Mr Grosz. So well-briefed was Soviet radio that it broadcast the appointment of the new leader before Hungarian radio. Moscow was also instrumental in pushing out Mr Gustav Husak, the Czechoslovak party leader last December.

While Moscow is taking a close look at eastern Europe, the attitude of the Communist parties in eastern Europe towards Mr Gorbachev is slowly and inevitably changing. The special Soviet party conference confirmed that the Soviet leader is here to stay, at least for the foreseeable future. This means that the east Europeans will have to adjust to the new situation in the Soviet Union. It also means introducing political and economic reforms, perhaps those same reforms attempted in 1956 in Hungary, in 1968 inCzechoslovakia and in 1980 in Poland, but which were quashed by Soviet tanks.

Those bitter and often bloody experiences taught the Communist parties to exercise extreme caution. It is Mr Gorbachev's task to diminish that caution. But he himself will have to pay the price for any upheaval which may arise from reforms being encouraged or prevented. It will take more than this week's meeting to resolve the Soviet paradox.

WITHIN the Soviet Bloc, General Wojciech Jaruzelski, the Polish leader, has always been Mr Gorbachev's firmest supporter.

He greeted Mr Gorbachev's accession with a sigh of relief, believing correctly that the new Soviet leader would sympathise with his unorthodox attempts to reform the economy and tinker with the political system in a way previous leaders in Moscow had not.

The General's innovations had aimed to blunt the forces which gave rise to the Solidarity movement in 1980 and which continue to pose a threat to the Communist Party's hegemony. Approval by Mr Gorbachev would take the wind completely out of the sails of domestic hardliners, who in the past had always looked to Moscow for support.

The greater freedom of manoeuvre for the Polish leadership, while bolstering its position within the establishment, has not, however, translated into daring new policies.

Caution is now required, Warsaw argues, to ensure that nothing happens to undermine Mr Gorbachev's efforts at home and provide his opponents with arguments that his liberalising policies are leading to unrest. Caution is required for another reason, as the Poles have had to contend with the possibility that Mr Gorbachev's policies could be reversed, leaving Warsaw dangerously exposed.

How long the population will allow Gen Jaruzelski to maintain this cautious stance is another matter. So far, people have been watching the goings-on in the Kremlin with incredulity. Only recently has the realisation dawned that changes there are indeed on the way. Nevertheless, the new Soviet style has permitted an openness in the media unthinkable three years ago, on issues such as the fate of Poles deported to the Soviet Union both during and after the Second World War.

It is now also permissible to talk in print of the Polish history of territories in the east which were annexed by the Soviet Union after 1945.

On top of this, debate on economic issues in Poland – always more open than elsewhere in the Soviet Bloc – has become freer, as Moscow continues to innovate, leaving the Polish establishment not at all clear where the process might end.

Christopher Bobinksi

OBSERVER

Rise of Ray MacSharry

■ Charles Haughey, the Irish Prime Minister, is said not yet to have made up his mind whether to reappoint Peter Sutherland as the Irish member of the European Commission. The betting must be, however, that Sutherland will be packing his bags.

To understand that, you have to look at it through Irish eyes. On the face of it, Sutherland has been a highly successful Commissioner. He has the competition portfolio at a time when competition policy is important and likely to become more so. He stands up to people like Lord Young, the British Trade and Industry Secretary. If he stayed, he would have a reasonable chance of becoming President of the Commission in succession to Jacques Delors in 1991.

The Irish do not see it like that. For a start, Sutherland is from the wrong party: Fine Gael rather than Haughey's Fianna Fail. It is also said that he has become out of touch with Irish politics. Although he was briefly Ireland's Attorney-General, it is pointed out that he has never held elective office. Moreover, the Irish wonder if competition is the right portfolio for them. They are not, after all, much interested in big industrial mergers. Thus they would prefer regional policy or agriculture and would like the post to be held by someone close to Haughey.

So the man being tipped for the Irish job in Brussels is Ray MacSharry, the Finance Minister. When he completes this year's public expenditure review in September, he will have had a good stint at stabilising the Irish economy and should be ready for a move. His closeness to Haughey is not in doubt and he has an understanding of Irish requirements from the Community.

Besides, current projections have it that Haughey, like Margaret Thatcher, will be Prime Minister until well into the early 1990s. Thus four years in Brussels would broaden MacSharry's experience while not ruling him out for the succession when it arises.

Meanwhile, Haughey is off for 10 days in Australia and New Zealand. He gets on well with Bob Hawke, his Australian counterpart, with whom he has a lot in common.

Golden love bite

■ The black-footed ferret is almost extinct but, as the latest issue of the Gold Bulletin notes, may yet be saved by the precious metal.

Attempts to preserve the species are taking place at the Sybille Wildlife Research Centre in Wyoming. They seemed jeopardised when one of the few surviving males developed an abcessed canine tooth. He was given a root canal and gold cap to prevent infection. Shortly afterwards his mate started to produce.

The reason is that the male bites the neck of the female during breeding and needs a strong tooth to do it.

Rabbi's reward

■ Isaac Neuman, the American rabbi who spent a controversial eight months in spiritual charge of the 190-strong Jewish community in East Berlin, is now back home in the US. He is preparing to celebrate by getting married in rather special circumstances.

Neuman, who is 65, left East Berlin in May under something of a cloud after his efforts to rejuvenate the dwindling Jewish presence in the Communist part of the city ran into strong local opposition. One East Berlin lady whom Neuman met during his community work, however, made a particularly strong impression on him. And now Eva Grunstein, in her 40s, has been allowed to leave East Germany to join Neuman in Champaign, Illinois for a

synagogue wedding at the end of the month.

Neuman took over in East Berlin last September as the first rabbi in East Berlin for 22 years. The move was part of East Germany's efforts to build bridges with international Jewish groups – and to improve ties with the US. He left amid a minor storm in the state-controlled East German press after alleging that he was not allowed to get on with his job.

Neuman, who is divorced, says now he does not regret the row. "What I did was necessary." He is pleased that the East German Government has continued his drive to get on better with the Jews by promising to join West Germany in making compensation payments for persecution by the Nazis.

Erich Honecker, the East German leader, was reported in June to have held out an offer of $100m to American Jewish victims of Nazism. Neuman notes that it has taken 40 years, but adds: "I look forward to the results."

Serious scrabble

■ The new British national scrabble champion is Margaret Rogers, who describes herself as "just a housewife" from Devizes in Wiltshire and is the first woman winner since 1980.

There was some talk during the lunch break at the finals in London yesterday of setting records, and indeed the championship record is broken quite frequently. When the tournament started in 1971, the winning score was 1345 for an aggregate of three games. That was based on the shorter Oxford English Dictionary. In the mid-70s, however, the competition switched to using Chambers as the ultimate arbiter and scores became higher because it contains more words. The ambition of the really serious player today is to break the 2000 point barrier.

It did not happen yesterday. Rogers won with 1843, so the record of 1863 set by Nigel Ingham last year still stands. She had twice come 56th in the 100 player final in the past. This time, she said afterwards, she "put a lot of faith in God and played very hard. It will do a lot of good for Devizes."

The highest recorded score from a single play, though not yesterday is said to have come from the word "benzoxycamphors", achieved by using all seven tiles along with those already placed on the bottom line of the board.

Family scrabble players may like to know that the national rules permit a large number of two letter words including "GI", "EE" and "ZO". There is a two minute time limit per go.

An enlarged Chambers dictionary to be published in October will bring the 2000 target nearer.

Windy speech

■ From a company staff magazine: "The sudden fierce gust of wind took all who were at the ceremony completely by surprise. Hats were blown off, and copies of the chairman's speech and other rubbish were scattered all over the site."

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Lionel Barber reports on a huge shake-up for US education policies

A revolution at the chalkface

DURING his three years as US Education Secretary, Mr William Bennett has often appeared to be the reincarnation of that great Dickensian disciplinarian, Mr Wackford Squeers.

In his search for lax standards, second-rate teachers and inadequate curricula in the nation's public (publicly funded) schools, Mr Bennett has not spared the rod; even the top-ranking private universities of Harvard and Stanford have come under attack. But Mr Bennett has also exploited his position at the Education Department, a creation of the Carter Administration, to advocate more choice in schools, merit pay for teachers and other ideas aimed at making institutes of learning more accountable.

Many in the education profession in the US would like to dismiss the Bennett crusade as historical aberration, but this is a time of great public dissatisfaction with the education system. It is also a period of great experimentation and Mr Bennett, despite some of his more outlandish statements, has ensured that the conservatives have a voice in a reform movement sweeping the country.

Minnesota, for example, has just adopted an open enrolment plan which will empower school districts to offer parents and students choice in selecting schools. Though containing some important restrictions, the scheme will still amount to the most generous provision of parental choice in the country.

In New Jersey, almost one in five teachers have been recruited from outside traditional teacher training colleges, prising open the labour market and boosting participation among blacks, Hispanics and other minorities in the teaching profession.

In Utah, teachers are being rewarded with salaries based not on their length of service but on their performance; a similar competitive remuneration system has just been adopted in Rochester, New York. In California, the state education department has ordered a rewriting of textbooks as part of a comprehensive overhaul of the curriculum from kindergarten to high school.

These changes amount to the beginnings of a cultural revolution. Traditionally, the US, the melting pot society, has seen the primary role of the high school as bestowing a common culture or "citizenship" on its students. A second enduring feature is the devolution of power to local school boards which have always enjoyed wide discretion on what is taught and tested in the classroom.

The system's strength lay in its ability to cater for the huge influx of non-English-speaking immigrants, giving them time to adjust to their new homeland before they entered college or employment. The disadvantage was that, mixed with the liberationist child-centred education theories of the late 1960s when student choice was rampant, the rudimentary curriculum became a recipe for chaos.

The states, which retain nominal constitutional responsibility for education, are now trying to wrest back actual control from the often highly politicised local school boards. While their efforts may not match the ambitious legislative reform being pursued in Britain, they signal a determination to break with the past. The question is whether the reform effort can succeed in the absence of a comprehensive approach in the face of opposition.

The consensus for education reform in the US has been building up since the 1970s. It gained new impetus in 1983 when a panel set up by President Ronald Reagan – the National Commission on Excellence in Education – produced a damning report on standards of learning in the nation's high schools. The report, A Nation at Risk, said:

- Some 23m adult Americans were functionally illiterate by the simplest tests of reading, writing, and comprehension.
- About 13 per cent of all 17-year-olds were functionally illiterate; the figure may be as high as 40 per cent among minorities.
- Average achievement of high school students was lower than when the Soviet Union launched its Sputnik in 1957.
- International comparisons of student achievement, completed in 1973, showed that on 19 academic tests American students were never first or second and in comparison with other industrialised countries were last seven times.

The discovery that there could be such a creature as an illiterate high school graduate was, of course, no secret in the teaching profession. What gave A Nation at Risk such impact was that it established the connection between education and a nation's vitality and prosperity, arguing forcibly that the US was in danger of falling behind its international competitors by failing to invest in schooling.

The commission urged the individual states to introduce curricula focused on what it called the new basics: four years of English, three years each of mathematics, science, and social studies; one half-year of computer science; and, for those planning to attend college, two years of a foreign language.

Other important recommendations were standardised textbooks, higher salaries for teachers, clearer designation of authority to principals, and more homework (two thirds of high school seniors aged 17 and 18 reported less than one hour a night).

Lastly, the commission said school districts and state legislatures should consider boosting the school year to between 200 and 220 days from its present 180 days (which still reflects the agrarian calendar and the demand for youthful muscle on the family farm).

As Mr Bennett acknowledges, the American education system does not suffer from the British disease where academic subjects have traditionally enjoyed preference over more technical and scientific courses. "The problem is not that they are reading too much George Eliot," he says, "their pool of scientific and literary knowledge is simply too small."

Five years on, Mr Bennett believes progress has been made, citing a 40 per cent increase per capita in state spending for elementary and secondary education between 1981 and 1986, a slight improvement in the broadly based scholastic aptitude tests and an increasing number of graduating students taking the new basics: up from 13.4 per cent in 1982 to nearly 30 per cent according to a 1987 sample which excludes the foreign language and computer science classes.

More important, says Dr Chester Finn, one of Mr Bennett's senior advisers at the US Education Department, the intellectual battle has been won. More and more states are adopting education policies which reflect the public demand for better choice, accountability and content in the school system.

Yet the conservatives have not had it all their own way. Plans to introduce a voucher system for parents wishing to send their children to private schools have foundered; the best the Reagan Administration has been able to achieve is to prevent the slide in the number of private school students (11 per cent) as measured against those going to public schools. "People thought we were trying to destroy public education," says Dr Finn, "and that had a devastating effect on political will."

The fall-back position was to promote choice in public schools and this appears to be gathering momentum through the application of competition and market-based philosophies which have more in common with private business practice than public education.

One such example is the "magnet school," a designated school, often in a run-down urban area, which stands out by dint of its specialised curriculum, strong discipline or high academic standards. Cambridge, Massachusetts, has 13 magnet schools, but this is an unusually high proportion. Out of 75,000 public schools in the US, only 2,000 rank as magnet schools.

A less orthodox method of tackling educationally bankrupt inner city schools is to send in the equivalent of a corporate troubleshooter. Mr Bennett is a great admirer of Mr Joe Clark, the former US Army reserve sergeant turned high school principal, who arrived, baseball bat in hand, at Eastside High in New Jersey. Mr Clark cleared out the drug pushers, cleaned off the graffiti and marginally boosted maths and reading scores, prompting Mr Bennett to remark: "Sometimes you need Mr Chips, sometimes you need Dirty Harry."

The lionisation of individual teachers is part of the Education Department's effort to restore authority in schools. The problem is that it does not address the more fundamental problem which is the lack of a standard national curriculum specifying subject content plus follow-up assessment nationwide. A legislative proposal is pending before the US Congress, but Dr Finn says that after pilot testing the earliest date it could go into force would be 1995.

Like Mr Kenneth Baker, his counterpart at the UK Department of Education, Mr Bennett has discovered the attractions of centralised power in education to accelerate the pace of reform. "It is going to be very difficult to extend the role of government dramatically," he says, "but if you are going to sin, sin boldly."

Lombard

Guard us from the guardians

By Samuel Brittan

IS THE object of the furniture industry to promote good furniture? Is the object of the publishing industry to promote good books?

A shrewd publisher or furniture manufacturer might be well advised to say yes. But he would not be speaking the complete truth. If he wishes to stay in business he has to produce the books and furniture that will make a profit. If he does very well, and his shareholders allow, some books or some furniture might be promoted which are not strictly profitable; but these benefits of success are a bonus and not the mainspring of the business.

Not only are these the principles actually followed in competitive industries; it is right that they should be. It would be quite intolerable if there were a regulatory authority to limit competition among publishers or furniture makers so that some establishment idea of good quality products could be imposed on the public.

Yet it is just these anti-libertarian ideas which so many in the broadcasting debate want to impose on the public. An example is provided by the Third Report of the Home Affairs Committee of the House of Commons on the Future of Broadcasting (HMSO, 262-I).

Many of its individual ideas are excellent; and it is much the best comprehensive update on developments since the 1986 Peacock Report. For instance it recommends that, when telecommunications policy is reviewed in 1990, the advantages involved in the introduction of optical fibre as a means of transmission of entertainment as well as telephony and data should be taken into account. Such a network, if it ever became cost-effective, would provide a common carrier for an indefinite number of broadcasting signals, thus creating conditions for a fully competitive customer-driven broadcasting market.

More immediately, the Commons Committee endorses the Peacock suggestion that every television set should include a peri-television socket (already mandatory in France) which would make it simple and inexpensive to decode subscription or pay-TV services. The committee also endorses the idea of competitive tendering, subject to safeguards, when the ITV franchises are next due for renewal in 1992.

Nevertheless, the report was fatally flawed by a conception of public service broadcasting designed, not to simulate or supplement but to distort, the market for high-minded reasons – as well as slightly less high-minded protectionist ideas about a "proper" proportion of British and European Community content.

It would be easier from a debating point of view to say that public demand and profitability are the only valid criteria. This is not so. There are all sorts of activities in the arts, publishing, broadcasting and elsewhere, which citizens will support through the ballot box, but not commercially.

Another complication is that all known broadcasting payment systems have grave defects. Advertising finance reflects public demand only indirectly, and does not reflect intensity of preferences and has a bias towards the mass market. Pay-television runs up against the public goods problem – that is non-paying viewers are excluded even though they could be supplied with programmes at negligible extra cost. Tax finance systems such as the licence fee are at one remove from market demand and run into all the dangers of political involvement. A reasonable broadcasting system would therefore use a mixture of all three methods of finance.

These were not guidelines of the committee, which for all its high principles paid too much attention to commercial interests. For instance, it came out in favour of a fifth terrestrial channel (scorning the ideas of a sixth or a seventh), financed by advertising. It rejected pay-TV or subscription for the channel, partly to give advertisers more opportunities and partly to protect British Satellite Broadcasting. Yet a fifth terrestrial channel looks by far the cheapest way of introducing direct viewer payment in the near future.

Thus those who imagine themselves to be opposed to commercialism find themselves heavily involved in business politics – far more so than the market liberal, who pays attention to the rules and the playing-field, but stands well clear of the game.

Letters to the Editor

Glasnost needed for British Steel

From Mr Tony Speller MP.

Sir, The world market for steel is indeed far from free (Letters, July 1). It remains artificially manipulated, to the grave detriment of user industries which have to compete in worldwide open competition. This threatens employment in the engineering industry, and its ability to create resources for the innovations and training which are essential to survival.

British manufacturers of, for example, catering equipment have faced price increases of over 50 per cent in some grades of stainless steel supplied by British Steel over the last two years. This is before the current application of so called "nickel surcharges," now being applied on a monthly basis on an obscure formula which appears to have a base date in July 1987, and therefore covers a period in which British Steel was able to impose no fewer than three price increases.

The market distortions to which my colleague Phillip Oppenheim rightly draws attention are being used to create an artificial shortage of supplies; this, of course, is an essential element in the European steel makers' success in demanding prices which could not be sustained in open world competition.

I hope that any prospective shareholders in British Steel will be clearly advised, in the coming prospectus, of the many artificialities in the market upon which current values rely, as well as the risk of future collapse when the cosy arrangements unravel, as they surely will, under the weight of true world competition.

It would also be helpful if the two year old – but unseen – Monopolies Commission report covering British Steel were published in full, and the outcome of the present investigation into stainless steel pricing in the European Community by the competition department in Brussels were known. Indeed, it is hard to see how the various authorities could approve a British Steel prospectus with less than this degree of glasnost.

Tony Speller,
House of Commons, SW1

Chile has a darker side

From Mr Quentin Given.

Sir, Robert Graham paints a glowing picture of General Pinochet's economic record – "outperforming all other Latin American economies", "breaking through the barrier of underdevelopment", and giving enough Chileans "a stake in the status quo to permit a stable transition towards democracy" (July 5). But this account begs the question: success for whom?

Mr Graham's own graph shows that despite Chile's better export performance than neighbouring Peru, unemployment in Chile is almost twice as high. Mr Graham admits that wages are still lower than in 1982 – but does not add that wage rates in Chile, once among the highest in Latin America, are now the lowest. Mr Graham's jolly picture of efficient privatisation fails to spell out its consequences: decline in health care; sharp increases in infant mortality and illiteracy among the poor; widespread truancy, as parents are economically barred from sending children to school.

A minority has benefited – some hugely – from the internal transfers of wealth which have been a feature of authoritarian monetarism in both Chile and Britain. Pinochet's 1980 Constitution, on which the plebiscite is based, envisages only a democratic veneer for continued military hegemony. The privileged minority has a vested interest in maintaining it. For the majority, real democratic change is a prerequisite for economic progress.

Quentin Given,
Chile Solidarity Campaign,
129 Seven Sisters Road, N7

From Dr Stephany Griffith-Jones.

Sir, I was surprised to see in Robert Graham's article ("The Pinochet recipe for growth," July 5) such a relatively uncritical acceptance of the Chilean regime's claims.

According to official figures, during the total period of military rule (1973-87) Chilean gross domestic product (GDP) has grown at about 1.9 annually; this means that in *per capita* terms (for the average Chilean), GDP is approximately the same as it was 15 years ago. Where is the Pinochet economic miracle? This poor record contrasts with the previous period, when under democratic rule, between 1940-73, GDP grew at an annual average rate of around 4 per cent, while *per capita* GDP increased by around 2 per cent.

On average, unemployment in Chile between 1973 and 1987 has doubled the rate it reached during the previous two democratic governments. It is true that the Pinochet government has had some economic achievements, such as maintaining low levels of inflation and diversifying as well as expanding exports. But its overall growth record is certainly very poor, even though it has improved in the last two years. The Chilean government's main success has been in the public relations field. It has persuaded generally well-informed and bright foreign observers to believe too much in its propaganda, rather than evaluate more carefully the statistical and factual evidence.

Stephany Griffith-Jones,
The Institute of Development Studies,
University of Sussex,
Brighton

Putting the record straight

From the Dean of Lincoln and the chairman of the Romanesque Symposium at Lincoln:

Sir, You reported on Saturday that a "recently held four-day conference" had made certain controversial decisions about the conservation of the West Front of Lincoln Cathedral.

In fact, the conference held its first session at 8.30pm on Friday and will end only at 1.15pm today.

It is evident that the author of your article has indulged in a little invention and unfortunately has got it wrong. There are no decisions already made by anyone and no preconceived commitments.

It is clearly understood by us all that the purpose of the conference is to aid decisions which are yet to be made. This letter is agreed by all the participants in the conference.

Oliver Fiennes, Dean of Lincoln,
Professor George Zarnecki,
The Deanery,
Lincoln

'The unification of Europe is difficult and dangerous'

From Mr Chris Jones.

Sir, I once had an argument over bilateral relations between Britain and my native New Zealand, with a woman who insisted that the two countries were like mother and child. All the trade figures and Commonwealth conferences I threw at her were of no avail: she knew more about the subject than I did.

I was reminded of this as I surveyed Mr James Elles's Europe of strong pillars, alarm bells, final resting places, and sinking ships (July 6). Like that woman, he makes the mistake of projecting metaphor into analogy. "Let us remember," writes Mr Elles, looking to the future of Europe, "that the US took at least 175 years to enlarge from the original 11 states to the 50 that make up the federation today."

But how can we, with any intellectual honesty, remember that – and not remember a civil war, the decline of the Spanish empire, the coming of the railway, the mass migration into a thinly populated land?

Europe is a very different case, and also – in a way Mr Elles may not welcome – very much the same. Pierre-Joseph Proudhon, that wise and fearless Frenchman, once went against the enlightened consensus by opposing the unification of Italy. It would lead to a new Caesarism, he said. He was right, of course. The unification of Italy gave Europe fascism; the unification of German gave Europe Wilhelmine militarism and Nazism. A useful analogy, echoing physics or chemistry, can be drawn from this, and from the American case: that the fusion of disparate elements creates violent reaction.

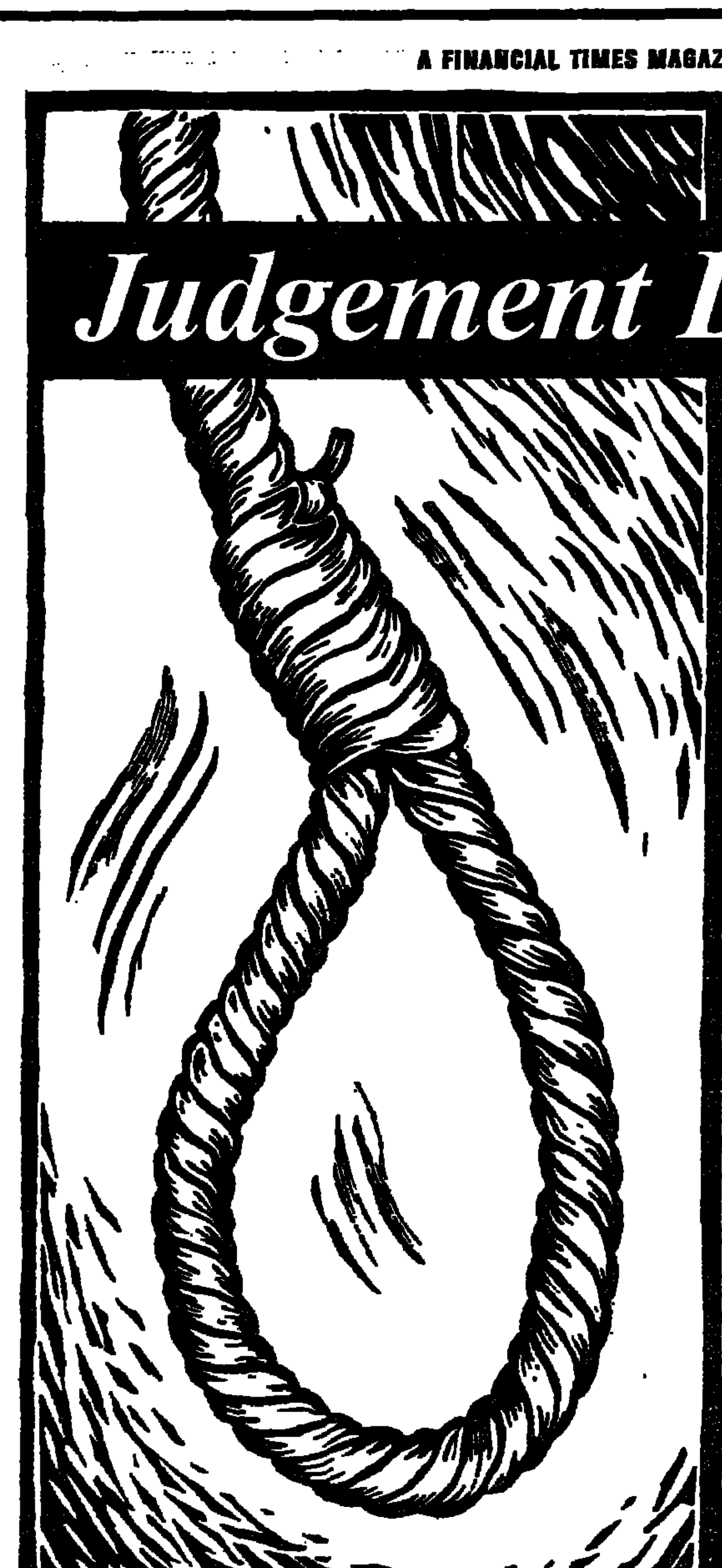
Europe is unlikely to follow the same violent course again – but a united Europe will be no more free from attempts at despotism that any other political entity. The creation of the European Community (EC) has already brought about a form of bureaucratic Caesarism that particularly aggravates the British.

The truth is that the unification of Europe is a difficult and dangerous task. Force, in one form or another, will be needed to achieve it. Mr Elles accepts this when he suggests that "as a matter of principle, further enlargement (of the EC) should only take place when the applicant country is ready to accept the existing and potential obligations of membership." An irony indeed: you cannot get into the EC unless you are a pluralistic democracy – but neither can you get in unless you abrogate the right to exercise that democracy and dissent.

I would be happier if the people in the forefront of this process (such as Mr Elles) seemed more aware of its dangers. His well-meaning ramble around the future of Europe puts me in mind (excuse the analogy) of a child playing with dynamite.

Chris Jones,
20 Wilberforce Road,
Sandgate,
Folkestone, Kent

A FINANCIAL TIMES MAGAZINE



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FINANCIAL TIMES

Monday July 11 1988

CRANE FRUEHAUF
Dereham, Norfolk. (0362) 695353

James Buchan on Wall Street

A trying time for junk bonds

PITY THE junk bond investor. He is finding there are more ways to lose his shirt on these risky but high-yielding securities than the bankruptcy of the issuer.

There was the Colt Industries affair. This automotive and aerospace company issued $550m in 12½ per cent debentures in 1986 to pay a large dividend to stockholders.

The company continued to prosper, its debt burden became lighter, its credit rating was on the up and the debentures were poised to soar in price.

Last March, Colt said it would raise a whole new load of debt to go private.

Stockholders rejoiced but the rating agencies started talking about "very thin cash flow protection" for Colt's outstanding debt. The debentures tumbled.

"Colt went from an improving junk back down to being just a middle-of-the-road junk," says Mr Dick Swingle, who runs the $955m junk bond at T. Rowe Price Associates in Baltimore.

"If we're willing to take the risk, we should share in the company's improvement along with stockholders instead of being re-leveraged every year."

The Colt leveraged buy-out is the sort of upheaval – known as event risk – that has troubled the whole US corporate bond through the takeover era.

But the $160bn junk market is more vulnerable to event risk because issuers are often aggressive companies, professed deal-makers or plain bad risks.

The only protection for holders lies in the bonds' small print, known as indentures, which sometimes limit the issuer's freedom to borrow more or sell assets – but not in the case of Colt.

Then there is E-II. Mr William Harnisch, who runs Forstmann Leff Associates in New York, bought no less than $190m of an issue of $750m in 13.05 per cent debentures from E-II, a holding company formed for the express purpose of making acquisitions for the highly regarded Mr Donald Kelly.

Mr Kelly used the money to launch a hostile takeover of American Brands, the large tobacco, spirits and financial services company.

Last January, American Brands turned round and took E-II over in what is known as a Pac-Man defence.

Since American Brands' debt is rated single-A, and E-II had a weak-B junk rating, Mr Harnisch prepared for a windfall when Ambrands assumed responsibility for the E-II bonds.

He rejected an offer from Ambrands to buy out his bonds at a 4 per cent premium to face value.

This was a mistake. On June 13, Ambrands announced it was selling a group of E-II businesses and responsibility for the junk bonds to another leverage artist, Mr Meshulam Riklis, whose company has a yet lower credit rating than E-II.

Mr Harnisch's bonds fell from 102⅝ in the market to 89. Forstmann Leff and three other big junk bond investors, with $466.5m of the E-II debt between them, lost $62m in a matter of moments.

Mr Harnisch and the three others have sued, claiming that Ambrands misled them at the time of the January offer because it said nothing about any plans to sell the E-II businesses.

"I feel we've really been taken advantage of by American Brands," he says. "Its not our clients paying for this suit. It's us. This is a crusade."

Two days after the suit was filed, and coincidentally, he says, Mr Swingle announced the formation of a pressure group designed to protect bondholders from losing out excessively in a takeover or restructuring.

The group, called the Institutional Bondholders Rights Association, includes fund managers from such heavyweight investors as Metropolitan Life and Prudential Life. Mr Swingle wants them to impose standard indenture terms to prevent re-leverage – if necessary, at the cost of lower yields.

But many people on Wall Street think that these fund managers are making too much fuss. Most junk bond investors have done well this year because well-diversified portfolios have returned a full 8.2 per cent in the first six months of this year despite the event risk at individual issues.

"These people are just whining insufferably," says Mr Jim Grant, a scathing critic of junk bonds who edits a credit newsletter, Grant's Interest Rate Observer.

"This activity is animated by fund managers embarrassed and worried about their jobs.

"With the E-II issue, they were buying a blind pool and Don Kelly's reputation but an indenture very weak in asset-sale protection. They should suffer event risk with dignity."

Siemens starts delivery of new 4 megabit microchip

BY HAIG SIMONIAN IN FRANKFURT

SIEMENS, the West German electrical and electronics group, has started delivering the first samples of its new 4 megabit microchip to customers for testing, making it the only European manufacturer of such high-powered chips and putting it on a par with a handful of Japanese producers.

Mr Karlheinz Kaske, Siemens's chief executive, said the new 4 megabit chip should go into volume production next year. However, he urged more "burden sharing" among European electronics manufacturers to prevent Europe falling behind in microchip technology. The 4 megabit chip is expected to become the standard memory chip for computers in the early 1990s.

Meanwhile, production of Siemens less-powerful 1 megabit chip is "progressing better than we dared hope", Mr Kaske said. There is currently a worldwide shortage of 1 megabit D-Ram (Dynamic Random Access Memory) chips, which has caused a dramatic increase in prices. Most 1 Megabit chip producers are Japanese.

The company's output target for 1 megabit chips has been raised to 3.5m units for this business year to September, and it hopes to be making 1m 1 megabit chips a month by the end of the year, with output rising to a minimum 20m chips in the 1988-89 business year.

"We have won a battle for our region but we have not yet won the war", Mr Kaske said. Siemens is investing just under DM3bn ($1.6bn) its megabit chip project, while the West German Research Ministry has put in DM240m of the DM700m development costs for the 4 megabit chip.

"Our statesmen must begin to realise that Europe can't afford to be satisfied with this initial sucess", he said. Microchip development in Europe would inevitably be too awesome a task over the longer term for Siemens and Philips alone, he said.

While the announcement of the new 4 megabit chip and high volume production of its 1 megabit counterpart is an important moral and prestige booster for Siemens, the entire "Megaproject" is still far from profitable.

The company could not say when profits would start. Losses in its components business, which are believed to arise largely from the Megaproject are still in the hundreds of million D-Mark range.

Sales rise, Page 17
Siemens results, Page 21

Simplified regulatory guidelines planned by UK securities body

BY RICHARD LAMBERT IN LONDON

THE UK Securities and Investments Board is planning radical changes to its conduct-of-business rules. The agency, which was set up under the Financial Services Act to supervise investor protection in the UK, intends to make the rule book much simpler and shorter with effect from the early part of next year.

Mr David Walker, the new chairman of the SIB, said in an interview that the rule book, which now runs to more than 200 pages, could be reduced very substantially, to less than half the present size.

He hoped that the change would lead to a "U-turn in attitude" on the part of the investment industry towards the new regulatory regime.

The conduct-of-business rules cover the responsibilities of an agent to provide clients with the best possible service in areas such as execution and advice. The detailed nature of these rules as currently drafted has caused much hostility among investment practitioners.

Sir Kenneth Berrill, who was replaced as chairman of the SIB by Mr Walker last month, was widely criticised in the City of London for what was said to be a rigid and bureaucratic approach to rule-making.

Mr Walker praised his predecsssor for the "formidable achievements" of producing a comprehensive system of regulation in a short time. He said there was now clear scope for some simplification.

The SIB is well advanced on a study into the feasibility of simplifying the rules. The aim will be to start every rule with a clear statement of the general principle involved, followed where necessary by specific provisions and guidance notes.

Mr Walker said he planned to consult the various self-regulatory organisations on an informal basis before publishing the new rule book in draft form.

He said that a great deal could be achieved without the need for any changes in primary legislation. There might be a case for some changes to the Financial Services Act at some future date, but this was not an urgent priority.

Monday interview, Page 11

KIO 'might consider cut in BP holding'

BY NIKKI TAIT IN LONDON

KUWAIT'S central bank governor, Sheikh Salem Abdelaziz Al-Sabah, said yesterday that his country might be willing to reduce its controversial 22 per cent stake in British Petroleum, the UK oil giant.

"The possibility is there. It all depends on market conditions," he said while stressing that it was a long-term investment.

BP, the world's third largest oil company, is known to be uncomfortable about the £4bn ($6.8bn) stake. It was acquired in October last year by the state-owned Kuwait Investment Office, after the UK Government's £7.2bn sale of BP shares flopped in the wake of that month's collapse in world stock markets.

Most of the partly-paid stock was left with underwriters who were happy to sell to the KIO at levels slightly above the 70p temporary support price set by the Bank of England.

Sheikh Salem is on the board of the Kuwait Investment Authority, the KIO's parent agency.

In March, the KIO defied informal requests by the British Government to limit its stake to 20 per cent, although it suggested that it would not take the holding beyond 22.5 per cent.

Then, in May, after strong representations from BP, the Government asked the Monopolies and Mergers Commission to consider the stake's implications

The Commission was asked to report within four months, but there have since been suggestions that the process may be accelerated, perhaps making a report available to ministers in midsummer, rather than autumn.

Saudis plug Westland order gap, Page 8

BP to sell stake in offshoot

Continued from Page 1

four miles away from Bingham, wholly owned with a projected annual output of 75,000.

The potential jewel in BP Gold's crown, and a mine which could catapult the company into the first division of world gold producers, is Lihir Island in Papua New Guinea.

BP has already spent $60m on early work at Lihir and, if a decision to develop a mine is given next year, it should be producing between 400,000 and 500,000 ounces a year by the early 1990s.

Excluded from BP Gold's portfolio, because they would distort its image as a US gold producer, are mines in South Africa and Canada, which currently produce about 150,000 ounces a year and are expected to lift output to 300,000 ounces in the early 1990s.

Soviet managers blamed in bank failure

Continued from Page 1

must be made public "to bring order into our own home."

The bank's failure has hitherto been blamed on the huge gold and currency dealing losses, put at more than SFr760m ($500), incurred by Mr Werner Peterhans, the Swiss national in charge of the foreign exchange department. He was subsequently given an 18-month suspended sentence for the falsification and suppression of documents in violation of Swiss banking law.

Yesterday's report accuses the bank's Soviet management of creating "a whole financial mafia". It said: "The activities of the bank management and particularly the activities of the director, Mr Yuri Karnaukh and several of his colleagues went beyond the socially acceptable bounds of honour, dignity and decency of the Soviet citizen."

The Soviet newspaper said that documents gathered by the investigators listed gifts bought for a string of members of the ruling politburo, including Mr Brezhnev, Mr Grishin, Mr Andrei Kirilenko and Mr Dinmukhamed Kunayev, as well as for the heads of the Foreign Trade Bank and Gosbank, the soviet central bank.

"It is difficult to say today if those for whom these gifts were intended actually received them or not," it says. In addition to "numerous bills for extremely expensive watches" it said there had been "the purchase by the bank of a painting by a well-known Swiss artist."

Sozialisticheskaya Industria said that Mr Albert Makayev, the first deputy chairman of the Soviet Foreign Trade Bank, sent from Moscow to investigate the bank's affairs, found them "fatal in the literal sense of the word". Before he died on arrival at his Zurich hotel, he reportedly told a colleague: "Things are far from well there. It seems a whole gang has been formed."

The report said that through Mr Peterhans the management of the bank became involved in speculative currency dealing, despite clear instructions from Moscow that all transactions must be covered daily. Instead, Voskhod bank was involved in deals up to a year ahead.

"These people exchanged honour and duty for the excitement of the game, gambling on their luck, forgetting that their stakes were being made with state money," the newspaper said.

It said Mr Karnaukh sought to blame an "imperialist conspiracy" for the collapse, but "this version was subsequently rejected, because imperialism did not hinder one's own bungling."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	32	90	Malta	S	40	104	Rhodes	S	35	95
Algiers	F	29	84	Edinburgh	R	13	55	Manchester	R	13	55	Rio de J'o	C	23	73
Amsterdam	F	24	75	Faro	S	26	79	Manila	C	34	93	Rome	C	28	82
Athens	S	35	95	Florence	S	30	86	Melbourne	F	16	61	Salzburg	F	19	66
Bahrain	F	40	104	Frankfurt	F	23	73	Mexico City	C	25	77	San Francisco	C	24	75
Bangkok	F	35	95	Funchal	C	21	70	Miami	C	30	86	Seoul	C	25	77
Barcelona	S	26	79	Geneva	S	23	73	Milan	S	27	81	Singapore	R	32	90
Beirut	F	32	90	Gibraltar	S	22	72	Montreal	C	33	91	Stockholm	F	20	68
Belfast	R	13	55	Glasgow	R	12	54	Moscow	C	20	68	Strasbourg	F	21	70
Belgrade	F	27	81	Guernsey	S	16	61	Munich	S	20	68	Sydney	F	18	64
Berlin	C	23	73	Helsinki	F	23	73	Nairobi	C	21	70	Taipei	F	37	99
Biarritz	S	22	72	H. Kong	C	31	88	Naples	S	34	93	Tangier	S	23	73
Bombay	F	32	90	Innsbruck	C	19	66	Nassau	C	30	86	Tel Aviv	S	33	91
Bordeaux	F	24	75	Inverness	F	17	63	New Delhi	C	36	97	Tenerife	S	25	77
Brussels	F	22	72	Islamabad	C	37	99	New York	C	31	88	Tokyo	R	29	84
Budapest	F	25	77	Istanbul	C	27	81	Nice	S	25	77	Toronto	C	36	97
B. Aires	F	10	50	Jakarta	C	32	90	Nicosia	F	39	102	Tunis	S	32	90
Cairo	F	39	102	Jersey	F	16	61	Oporto	F	20	68	Valencia	S	29	84
Cape Town	S	16	61	Jo'burg	S	18	64	Oslo	F	19	66	Venice	S	28	82
Caracas	R	26	79	Lima	C	18	65	Paris	F	22	72	Vienna	F	27	80
Casablanca	F	22	72	Lisbon	F	27	81	Peking	C	26	79	Warsaw	S	23	73
Chicago	C	36	97	London	C	19	66	Prague	F	21	70	Washington	S	24	75
Cologne	C	20	68	Los Angeles	C	28	82	Reykjavik	C	11	52	Zurich	S	21	70
Copenhagen	F	18	64	Luxembourg	F	18	64								
Corfu	S	42	108	Madrid	F	29	84								
Dallas	F	22	72	Majorca	S	28	82								
Dublin	C	14	57	Malaga	S	26	79								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Jesse Jackson: refusing to unite the party

Jackson tactics put pressure on Dukakis

By Lionel Barber in Washington

A MIXTURE of political grandstanding and behind-the-scenes pressure-tactics from the Rev Jesse Jackson has begun to rattle the Democratic Party's probable presidential candidate, Governor Michael Dukakis of Massachusetts.

With just one week to go before the Democratic national convention in Atlanta – which will officially anoint Mr Dukakis as the party's nominee – Mr Jackson is still refusing to rally behind the Governor to unite the party.

One of the emerging sources of friction is the interest shown by the Dukakis camp in Senator Albert Gore of Tennessee as a vice presidential running mate. Mr Jackson beat Mr Gore in the primary elections and apparently views the selection of the first-term Tennessean Senator as a snub to his own candidacy.

Mr Dukakis said at the weekend that he still had to decide on a running-mate and on whether he would announce the choice before the Atlanta convention opens on July 18.

The Jackson campaign is also organising a series of events outside the convention hall, a symbolic challenge to Mr Dukakis's own nomination. Just to make sure that the TV cameras get the message, Mr Jackson will lead a bus tour this week from his home town of Chicago to Atlanta called the "Jackson Action Rainbow Express."

All this suggests that Mr Jackson – who won 7m votes in the primary elections but is seen as too left wing by many white voters – is having difficulty giving up his candidacy for president. For the Dukakis camp it is also a worrying echo of 1984, when Mr Walter Mondale wasted much energy in trying to secure an unequivocal pledge of support from the black civil rights activist.

Mr Dukakis' attempt to settle on a vice presidential running mate have also been made more difficult by Jackson camp pressure. Last week, it appeared that Mr Dukakis was having second thoughts about Senator John Glenn of Ohio, the man considered to be the front-runner for the job.

However, when he widened his discussions to this year's beaten presidential candidates such as Senator Gore and Congressmen Richard Gephardt of Missouri – there was immediate hostile reaction from Mr Jackson's supporters.

One reason is that the black civil rights activist collected more votes in the primaries. Some Jackson supporters would like Senator Glenn to go on the ticket because it would free up a US Senate seat in Ohio. This would allow Congressman Louis Stokes, a senior black House Democrat, to make his bid for the seat.

● Vice President George Bush may have worked for the Central Intelligence Agency in 1963, more than a decade before becoming its director, according to a magazine article that cites a recently discovered FBI memorandum, AP reports from Washington.

Mr Bush denied the report through a spokesman.

The Nation magazine, in its current issue, quotes a Federal Bureau of Investigation memo of November 29 1963, from the director at the time J. Edgar Hoover to the State Department on the subject of the assassination of President John F. Kennedy.

Mexico poll row erupts

Continued from Page 1

credible to the opposition and the public is now almost impossible.

The big obstacle is Mr Cárdenas' intransigence – a characteristic wholly alien to the PRI's culture which assumes that almost everything can be negotiated. It has never, of course, negotiated away real power.

But it was Mr Salinas who chose to make clean elections the central issue of last week's contest, and his position rests, ultimately, on public acceptance of the result as fair.

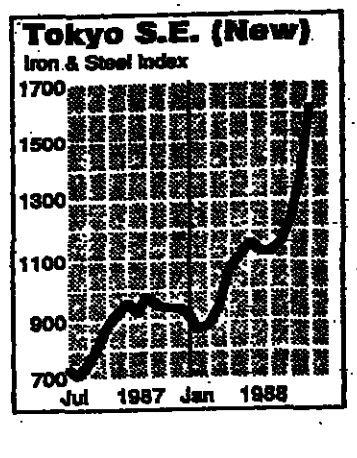
Speculation was growing yesterday about the role the army might play in the dispute, especially since Mr Cárdenas has called on the armed forces four times in the last month to guarantee the legality of the results.

Gen Juan Arevalo Gardoqui, the Defence Minister, on Saturday reiterated that the army, which has not played a front-line political role in Mexico for 50 years, was "100 per cent apolitical" and that it is the CFE's job to decide who won.

THE LEX COLUMN

Picking winners in Tokyo

Foreigners have proved lamentably poor judges of the Japanese equity market lately; piling in before the crash, pulling out afterwards and waiting until the market had made up its losses before going back for more. However, the latest figures – which show that foreign investors have once again retreated, and in June sold a net £2bn of Japanese equities – at first sight suggest a greater adroitness.



Since the beginning of May the Tokyo market has gone sideways, while equities nearly everywhere else have risen by 10 per cent and more. Japan's immediate prospects do not look good: the strength of the dollar has got everyone worrying about inflation "soaring" to 1 or even to 2 per cent, while the chances of a defensive rise in interest rates have increased. Already there has been a tentative tightening of monetary policy, and if the dollar goes up any further a more definite rise in rates would seem inevitable.

That, at least, is how outsiders seem to view Japan. At home, however, institutions have had little time for such macro fears, and have been have been making excellent profits from reorganising their portfolios instead. The horizontal progress of the market index since May belies record activity on the exchanges. In the last two months heavy capitalisation stocks have been bought with a singlemindedness difficult to comprehend outside Japan; indeed, foreigners seem largely to have missed the movement.

Most dramatic is the 70 per cent rise in the iron and steel sector from pre-crash levels; with some of its constituents almost doubling in price over the past month. Quite suddenly, the market has grasped the earnings recovery in the steel industry, as reflected in British Steel's record figures last week. Tired of the blue chips, and wary of the financials, the weight of institutional money has been channelled into steel, and the overflow has spilt into shipbuilding and anything else sounding plausibly heavy.

If the Japanese institutions have responded to the fall in the yen by reshuffling their domestic holdings rather than by diverting them overseas, foreign investors should take note. So far there is no indication of an outflow of capital – Japanese buying of foreign equities is still far lower than this time last year. Evidently Japanese investors think all the old arguments for their own market still hold; and even if outsiders do not agree, what matters is not the actual effect of a weaker yen on the economy, but how the locals feel about it. With some $9bn of equity-related issues to finance each month in Japan, any sign that the institutions are looking overseas would be infinitely more damaging than anything the Bank of Tokyo could do on the interest rate front.

Jaguar

The market has been in two minds on how to value Jaguar recently. On one hand, the company looks a dead cert as a bid candidate, albeit not until the golden share expires 2½ years from now. On the other, trading prospects are poor, and despite today's figures showing good sales growth in Europe and Japan, may be getting worse. The weakness in the US market has caused the company to cut its sales forecast this year by 2,000 cars, and the actual shortfall could be nearer 4,000. Six months ago Jaguar was expected to make profits of £120m this year, against £97m last; now it may be lucky to make £80m. While the recent rise in the dollar may help matters a little, it is not the blessing for Jaguar that it is often cracked up to be. The company has covered all its dollar exposure for this year and two thirds of it for next, so that the benefit of any recovery is muffled and delayed.

Until a few weeks ago, the market looked at Jaguar on its merits, and what it saw led to an underperformance against the market of 50 per cent within a year. But the rise in the shares last week from 281p to 317p has left any fears about the US car market some way behind. The City is convinced that a bidder is lurking, and is prepared to value Jaguar at about 12 times earnings – nearly twice the multiple suggested by its prospects.

But if the market is expecting the Government to do a Britoil and waive the golden share, it will surely be disappointed. Britoil's golden share was bungled in construction, Jaguar's is not; and it is surely inconceivable that the rules would be changed to allow one of the proudest gems of privatisation to fall early to a predator. It is slightly easier to imagine that a bidder might be building up a stake early to avoid disappointment later. After all, Jaguar is the last of the big independent luxury car producers, and must look tempting to any of the volume manufacturers. But it is not clear why a bidder should do so now. The shares are well above their lows, and if the market continues to swing between valuing the company alone and valuing it as part of another company, the price is also much higher than it will be when the current excitement dies.

Programme Trading

Nine months have passed since the October crash, but the process of apportioning blame for the event is not yet complete. Although the causes and the cure for volatility in US stock and financial futures markets will be debated for some time to come, the focus of criticism seems to be shifting away from programme trading.

It was therefore neatly appropriate that Barclays de Zoete Wedd should launch a new index arbitrage service last week in London on the same day that New York dropped its 50-point limit on programme trading. The BZW product is aimed mainly at institutional investors – probably a good thing, as retail investors on both sides of the Atlantic will no doubt take even longer to overcome crash-induced prejudices about the practice than they took to understand its workings in the first place.

It seems likely that others will follow BZW's lead, but the issue need not become as pressing as it is in New York. The chief worry in the US market is that private clients are beingdriven away by the arcane workings of the demon computer; most big firms in London seem more concerned with ridding themselves of private clients than attracting them. More fundamentally, only around 1,000 FTSE index futures contracts were traded on a typical day last week; and whatever happened in New York on October 19, the London market simply could not accommodate a stampede.

BARINGS

ADVICE ON DISPOSALS

BET
BET PUBLIC LIMITED COMPANY
Sale of
REDIFFUSION SIMULATION
We acted as co-financial adviser to BET

BRITISH & COMMONWEALTH HOLDINGS PLC
Reduction of shareholding in
LONDON FORFAITING COMPANY PLC
We acted as financial adviser to British & Commonwealth

BET
BET PUBLIC LIMITED COMPANY
Sale of
REDIFFUSION RADIO SYSTEMS
We acted as co-financial adviser to BET

Permodalan Nasional Berhad
Sale of controlling stake in
THE GUTHRIE CORPORATION PLC
We acted as financial adviser to PNB

BRITISH & COMMONWEALTH HOLDINGS PLC
Sale of 44% interest in
COUNTRY & NEW TOWN PROPERTIES p.l.c.
We acted as financial adviser to British & Commonwealth

MERCK AG
Sale of
BAIRD & TATLOCK DIVISION
to
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WATTIE INDUSTRIES LIMITED (NZ)
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SECTION III

FINANCIAL TIMES

SURVEY

Nearly everything seems possible for the Japanese now as the country basks in huge prosperity, and praise from abroad as its markets open. More change is in prospect and the agricultural and taxation systems in particular are ready for reform. **Ian Rodger** reports.

Stimulus for the world

Facets of life in Tokyo: Left: Commuters jam aboard a train at Shinjuko Station; Above: College students at a vending machine; and, right: Child sitting in a park

JAPAN

WHAT A difference a year makes! Last July, Japan was in deep trouble. At home, its economy was sagging under the negative effects of the high yen. Abroad, US Congressmen were smashing Japanese radios on the lawn of Capitol Hill to vent their anger over the country's seemingly relentless mercantilist behaviour.

Today, Japan is basking in the warmth of unprecedented prosperity at home and praise from abroad. Its huge economy is booming and its markets are opening, providing a welcome stimulus for the world.

Its government has settled most of its international disputes with unexpected speed and grace, and is now eagerly feeling its way towards a key role in the leadership of the world.

As for the Japanese people themselves, they are showing an exuberant confidence reminiscent of that seen in the US in the early 1960s. The young, unburdened by history, seem especially confident, aggressively questioning anachronistic traditions and embracing every fad that comes along.

And why not? For the Japanese in the late 1980s, nearly everything seems possible – lots of non-inflationary economic growth, plenty of good jobs, leisure time and facilities.

Tokyo, which only a few years ago was a parochial capital where it was hard to find a sandwich, has become an international crossroad city, offering the best and the latest of the world's goods, services, ideas and trends – at admittedly very high prices – to an increasingly sophisticated public.

It would be premature to suggest, however, that Japan is entering a golden age. There is as yet little sign of any explosion of cultural creativity in the country, although the conditions are certainly favourable.

The best of Japan today is still in commercial and industrial art, at the service of the country's economic powerhouse.

Unfortunately, this exhilarating atmosphere is about to be darkened somewhat by a few nasty rows. Partly because of their new prosperity, the Japanese are finally having to deal with some deeply-rooted structural problems – in agriculture, land use, the distribution system, the tax system and perhaps even in the alignment of political parties.

While the Japanese were bending all their efforts to rebuilding the economy after the 1939-45 War, problems in these areas were either not apparent or could be ignored. Today, they are widening the gap, at a dangerous rate, between haves and have-nots.

Crowded together on tiny, mountainous islands, the Japanese have prospered and maintained social order in the post-war period partly because of a fiercely egalitarian distribution of earnings and wealth. The earnings of the typical company president are only seven or eight times greater than that of the average worker.

But the rich have become sufficiently numerous and influential that it will be politically very difficult to remove the distortions that have developed. The Government is setting out today to tackle one of these problem areas. A special session of the Diet has been convened to legislate a major overhaul of the tax system.

The problem with Japan's tax system is that it puts a disproportionately large burden on salary earners and corporations while leaving farmers and other self-employed groups under-taxed.

The ruling Liberal Democratic Party (LDP) has tried three times in the last decade to reform the system, but on the previous two occasions it has had to retreat mainly because of opposition from within its own ranks. Farmers and small businessmen form two pillars of LDP support.

This time, it appears that LDP unity has been achieved, thanks to careful preparatory work by Mr Noboru Takeshita, the Prime Minister, and perhaps also to demography. With every passing year, there are more salaried workers in Japan and fewer farmers – and the LDP, which is above all a pragmatic party of Government, tries hard to stay in step with popular trends.

However, the opposition parties are still vehemently opposed to it, not because they oppose reform itself, but because the Government has decided to offset the much-needed reductions in income and corporate tax rates mainly through the introduction of a consumption tax.

The opposition sees this as regressive. By tradition in Japanese politics, the ruling party does not take advantage of its majority to ram through legislation if all the opposition parties are opposed.

However, Mr Takeshita has put his administration's life on the line for the tax reform, and so he just may be willing to break the mould, if necessary.

If he does, it could shake the foundations of the LDP. One leading LDP politician has predicted that the entire Cabinet would have to resign if the tax reform failed. This would be a big blow, coming less than a year before partial parliamentary elections will be held.

The Government is faced with many other controversial items these days. It has just managed to get through the annual negotiations with farmers on the support price for rice with surprising ease, winning a 4.6 per cent decline after last year's six per cent cut.

There is still a long way to go before Japan's grotesquely inefficient agricultural sector is reformed, but momentum for change is building. So too is the pressure for improving land use. Indeed, there are provisions in the current tax reform package to revise inheritance taxes in such a way as to discourage land hoarding.

Other measures are being urgently considered to tackle one of the most potentially divisive social problems – the sky-high prices of property in Tokyo and a few other large cities.

The land price problem not only prevents people from buying homes, it also stops the Government from progressing with the task of bringing the country's shabby infrastructure up to industrial country standards.

For the moment, these internal preoccupations may take the focus off the increasingly apposite question of Japan's role in the world.

In the past few months, Mr Takeshita has more than lived up to his reputation for being able to make the Government reach difficult decisions. He has resolved two agricultural trade disputes with the US, the long-running liquor tax dispute with the European Community, and pried open a bit of the Japanese construction market for foreign contractors.

Even US diplomats in Tokyo have been startled by the results to date on these and other bilateral issues. Japanese leaders have also begun to show a real enthusiasm for fulfilling the country's enhanced responsiblities as an economic superpower in the world.

Mr Takeshita himself has made seven official overseas trips to 12 countries since coming to office last November, and has launched new policy initiatives on relations with Western Europe, on Japan's role in international peace-keeping efforts, and on aid to developing countries.

It is now clear that aid will be a pillar of Japan's foreign policy for some time to come, not least because of the need to recycle the country's huge current account surpluses. Meanwhile, the Foreign Minister, Mr Sosuke Uno, has been assiduously cultivating relations with neighbouring Asian countries, which are gradually forming an Asian economic bloc around Japan.

Mr Uno has also just returned from a visit to the Middle East, including a first-ever visit by a Japanese Minister to Israel, indicating that Japan is at long last ready to become involved in the Middle East peace process. However, the Government still remains timid about advancing its views, if it has any, on global political problems.

Continued on page 12

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Profile on one of Japan's new-style politicians

A rising young star

THE SECRETARY to Mr Kunio Hatoyama, a rising young star among young LDP Diet members, wears spiked high heels, a tight dress and bright pink lipstick.

She still serves the green tea, of course, and bows deferentially as she leaves the room. But she is not your average Japanese secretary. Mr Hatoyama, however, is not your average Japanese politician. Nonetheless, his breed is on the increase in Japan. Within 10 or 20 years, his kind may be running things in Japan.

Just 39, Hatoyama is a well-connected young politician. He is the son of a former Cabinet minister, grandson of a former Prime Minister of Japan, and through his mother, he is part of the wealthy Ishibashi family, which founded Bridgestone, the tyre company.

As a result of his mother's wealth, Hatoyama could have easily chosen an easier life than that of a Japanese politician. But meeting him, it is easy to see that he shares the love of adulation and action which characterises politicians everywhere.

While answering a question, for example, he manages to tell a nearby photographer that his lens' cap is still on. Then he straightens his tie and smiles broadly.

Hatoyama lives in relative luxury in a large house in central Tokyo. He leaves his home about 7.30 a.m. and arrives LDP headquarters by 8 a.m., where he usually attends two back-to-back breakfast meetings. Breakfast is Japanese-style – *miso soup*, green tea, fish, rice and pickles.

Despite his notoriety for speaking his mind, even in defiance of his party, Hatoyama's day is typical of the average Diet members. After breakfast meetings, he gets to his small office in the members' building behind the Diet and sees government officials and constituents until noon (if the Diet is not in session.)

Usually, his faction of the LDP, the Takeshita faction, meets at lunchtime, where they eat cold Japanese or Chinese food out of lunch boxes. If the Diet is in session, that takes up the afteroon. If not, it is back to his constituency in Tokyo, where he meets people to discuss their problems.

Evenings are generally taken up by meetings, with constituents, Diet members or bureaucrats.

"Sometimes I have three meetings every evening, so my work is never done and I have no time to play," he says.

Kunio Hatoyama: not your average Japanese politician – but his kind is on the increase.

"The other day I read that US congressmen, at night often hold debates with other congressmen, or organise debates for their constituents. Here, we just go to meetings to shake hands and drink sake to each other's health. That is what is important," he says.

This press–the–flesh action can go to extremes. In the New Year period, he says, he may attend up to 300 parties, sometimes as many as 12 in one evening.

Despite this schedule, Hatoyama has a wife and three children – "I see them once in ten days, or on Sunday evenings," he says, somewhat sadly.

"Sometimes there are times when I wonder if there is another course for my life, with more privacy so I could do more of my favourite things and see more of my family. But policy is the principal matter of the nation.

"I have the feeling that I am related to the policy and politics of the nation. Yes, there are a lot of sacrifices. Some day, I hope my children will understand."

Mr Hatoyama is well aware that the average age of a Japanese LDP Diet member is 62 and that his outspoken manner of speaking will not necessarily put him into the Prime Minister's slot any faster.

"But I cannot stay quiet just for my promotion," he explains. "In fact, I was quite against the Government's tax plans, and that opposition has slowed my promotion. I say what I think.

"In that sense, yes, I am unusual. But of course, Japanese people are changing and young politicians are different today.

"Still, they sacrifice too much for promotion. I hope I'm part of a new trend, but I'm afraid that trend is only just beginning," he says.

He is also aware that the Japanese system, which fosters a sort of blind respect for the party elders, is not good for developing leadership qualities.

"Economically, we are getting to be the leaders of the world. We can see the figures, GNP, trade balances. These figures tell us we are strong. But whether we can be political leaders of the world, we do not know. I do not think we know international politics very well," he says.

"In order for Japan to take a greater role, we should make more efforts, not at economic summits, but as Japanese Diet members to European politicians, meeting each other and exchanging ideas. We should work together to create an important role for Japan in the international arena.

"For peace and disarmament, I think we could put more effort into this. America and the Soviet Union have a lot of discussions but they should not do this themselves.

"We should convey our opinions to the US and the Soviet Union. We should speak louder," he says.

Japanese prime ministers, he said, should be able to shuttle between the US and Soviet leaders. To do this, however, he says, Japan needs a strong leader with a vivid personality.

He predicts that for a while, Japan will not have a strong personality at its helm. "So our international role does not look so bright. But, if our politicians go abroad and speak on the international stage, we can increase our role."

Mr Hatoyama would like make four or five foreign trips a year, but, "for that, I need to be stronger in my constituency," he says.

His personal ambassadors in the meantime, are his two younger children, who are enrolled in schools in Portland, Oregan.

"They will be truly international," he says proudly.

Carla Rapoport

A first-hand inside view of Japan's civil service

Not an isolated entity

DEMORALISED civil servants of the world should be sent to work for a while in the Japanese administration. It is prestigious, it offers brilliant career prospects, and is entirely managed by the ministries. However, employees work long hours.

The extent of Japan's success as a country is now well understood. It is also widely accepted that this success has been achieved with the backing of the highly professional and efficient civil service.

As a result of a recent secondment in the Japanese administration, I now understand a little better how and why the Japanese system works in many ways better than those in Western countries.

Many people still think of the Japanese bureaucracy as an all-powerful, but nearly invisible hand, organising things in minute detail through all kinds of devious means.

In fact, technical ministries like MITI are dominated by generalists, usually law graduates from the University of Tokyo who are not qualified to do any highly technical meddling in the way companies or other organisations operate.

That being said, and Japan being Japan, the viewpoint of the administration is never discarded lightly.

Also, the Japanese administration faces many of the same challenges confronting Western bureaucracies these days - such as deregulation and privatisation. The role of the Japanese administration is changing from one of power to one of influence. The economic ministries have lost not only regulatory powers but also financial muscle.

Meanwhile, the tremendous strengthening of the private sector has made companies less dependent on external capital, access to which the administration used to control, and facilitated their access to the now open financial markets for whatever needs they still have.

In my brief experience, the most striking characteristics of the way the Japanese administration works includes its intimate involvement in the real decision making process. Like any other administration, the Japanese one is not an isolated entity, detached from private concerns or political interests.

However, Japanese civil servants differ from their Western counterparts in making no claims to being above the fray. They do not try to define their work as separate from these influences. Thus, discussions with pressure groups, considered shameful and therefore conducted clandestinely in some Western democracies, are, in Japan institutionalised.

This method of working explains why there is almost no anti-bureaucratic feeling in Japan; the administration's power has never been very technocratic.

The quality of information and the speed of its circulation has photocopying machines working overtime in the Japanese ministries. The Japanese view is that information is a prerequisite for the mutual consent of all parties involved in a decision.

Japanese administration has an intimate involvement in real decision-making processes.

Japanese civil servants who have worked in international organisations with European colleagues say that they were surprised to discover that information was often circulated by the highest rank of the hierarchy only on a need-to-know basis. This difference of attitude is attributable to cultural factors and to fundamental differences in the way the systems work.

The Japanese administration works on a strict seniority system; one's assistant can never be an enemy or a competitor so there is no point in trying to block his access to information. Hoarding of information is also impeded by the physical proximity of officials in Japanese ministry offices - being seated within five feet of one another makes virtue a sort of necessity.

The personnel division in each ministry is very powerful. Some of the best and the brightest are supposed to go through this division at some point in their careers. Ministries think that their future depends in part on a personnel policy that will give a uniquely broad experience to its civil servants and make them very valuable on the "information market".

By the age of 40, a MITI civil servant may have had experience in working with the electronics industry, GATT affairs, export credit, small and medium size enterprises, the petroleum industry and research and development.

Between a third and a half and sometimes more than half of the students recruited in the best universities are sent, after three to five years, to study in the United States, France or the UK. As a result, the Japanese administration is one of the most "internationalised" in the world. Such broad training renders the individual an important and valuable source for information.

While the French administration's work relies heavily on written materials, the Japanese one depends mainly on oral communications. This is due to cultural factors, such as the importance of personal relations and technical ones and the absence of Japanese language typewriters. It has both positive and negative consequences.

The fact that officials talk more with each other eases the formation of consensus. The system is slowly changing as a result of the introduction of Japanese language word processing machines.

The constitution of the Fifth Republic in France shifted the centre of gravity of our political institutions from Parliament to the executive branch. As a result, the French Administration's interface with Parliament is not very important. Japanese officials, on the other hand, spend a large part of their time on subjects related directly or indirectly to demands emanating from the Diet.

Following the US pattern, officials meet frequently with Diet members and are often called to appear before Diet committees. The administration is also surprisingly close to the press. Many journalists have offices provided within the ministries.

In the French decision making process, "arbitrage" is common. Whenever two ministries cannot agree on a matter, they go to the Prime Minister's office which arbitrates. In Japan, ministries will discuss a matter as long as it takes to reach a compromise.

Asking someone else to decide on the merit of one's case is perceived as an admission of failure. This also applies within a ministry as, for example, in the recent struggle between banks and the securities companies over the shape of Japan's futures and options markets.

Attempts to short-circuit this time-consuming process are usually very counterproductive.

There is no audit function in the Japanese administration other than a purely technical one. On the other hand, there are many committees whose only purpose is to bring forward new ideas. Reforms are proposed by people inside the administration. No one feels threatened by them because the responsibility is collective and people move frequently from one job to another.

This pattern is supported by scrap and build laws which require ministries to scrap the equivalent number of jobs before creating new ones. The process of change is thus continuous, avoiding the need for, or fear of, any large scale overhaul which would threaten morale. There are no vested interests.

The result of all this may not be a perfect administration. The Japanese ministries have made mistakes, just like their counterparts elsewhere, but the system also produces visions and incentives. One does not find in the Japanese administration the anxiety that prevails in other administrations buffeted by the winds of antibureaucratic feeling and the tide of deregulation.

The best and the brightest are still entering the major ministries knowing that they will have less regulatory powers and will not have the option of jumping into the private sector at mid-career. But they are confident in the ability of their ministries to provide them with a challenging job and a future.

In Japan, everyone seems convinced that even for functions that are not basic to the state, the administration will go on serving a useful purpose. This might be due to the still prevailing feeling of vulnerability to foreign pressure.

It is certainly linked to the excellence of the civil servants and the ability they have demonstrated over the years of bringing about consensus. And consensus is the stuff that Japanese society is made of.

Philippe Altuzarra

□ The author, an official in the French Ministry of Finance, spent the first half of this year on secondment to the Japanese Government – three months in the Ministry of International Trade and Industry (MITI) and three months in the Ministry of Finance.

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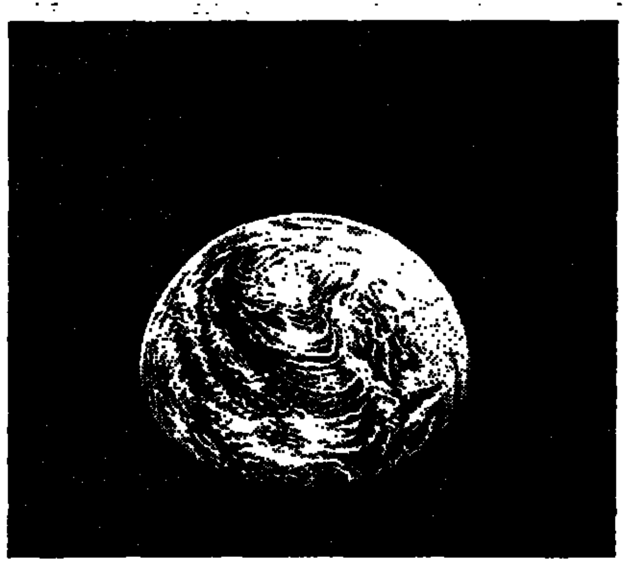

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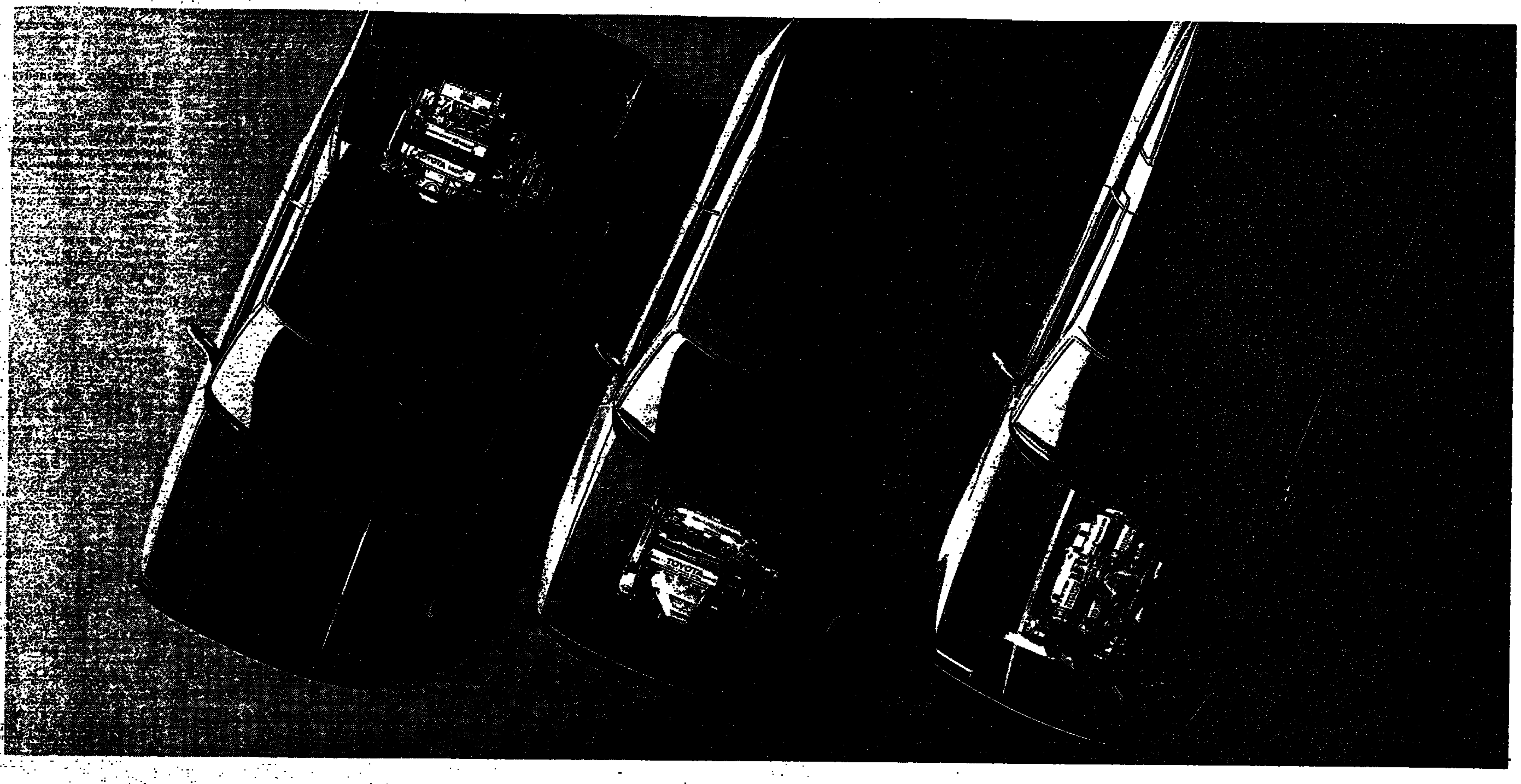

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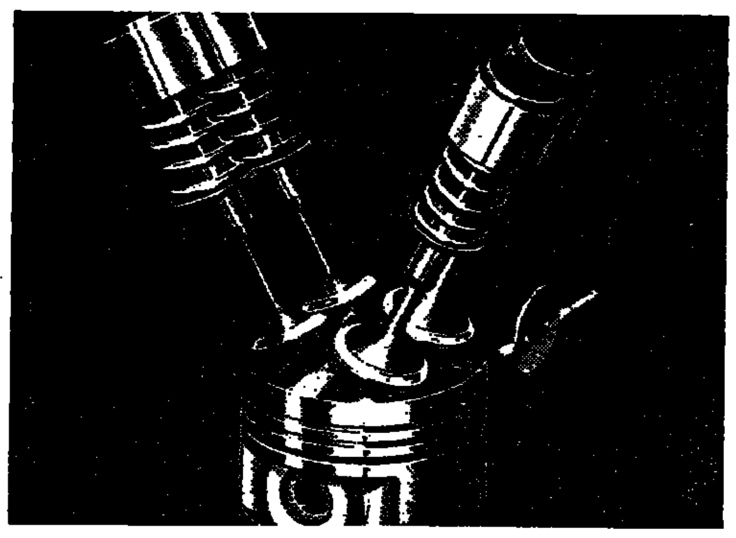

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Politics — breaking the mould

Risks in tax reform

Noboru Takeshita: putting himself on the line

IN LATE June, Japan's Prime Minister, Mr Noboru Takeshita, said that the fate of his administration hung on the success of his plan to carry out a fundamental overhaul of the country's tax system this year.

To analysts of politics in other democratic societies, there is nothing particularly surprising or unworthy about such a statement. Democratically-elected governments are supposed to rise and fall on the acceptability of their major policies to their people.

But in Japan, this declaration – which, as it happens, is an accurate one – is almost revolutionary. Japanese politics have been about many things in the post-war period, but they have almost never been about policy.

Ever since the Liberal Democratic Party (LDP) put its vice grip on the reins of government in 1955, no administration has fallen over a major policy issue.

Today, however, no one doubts that the Takeshita administration has put its life on the line for tax reform. If it fails, Mr Takeshita will have to resign after scarcely more than a year in office. If it succeeds, he will almost certainly be awarded a second two-year term, will lead his party through the next parliamentary elections, and will be assured of a place among the country's most distinguished leaders.

Moreover, Mr Takeshita is by no means putting his prestige on the line for a sure thing. The outcome of the tax reform debate is far from certain. It has not been settled in the typical Japanese way in the smoke-filled rooms of Nagatacho, Tokyo's political quarter.

The opposition parties are all strongly opposed to it, and many special interest groups are fighting it tooth and nail. By all accounts, the debates on the reform in the Diet (Parliament), which begin in a few days and are expected to run for about three months, will be extraordinarily heated and unpredictable.

Is this situation an aberration, or is it an intimation that the post-war mould of Japanese politics is finally beginning to crumble? It would be a brave analyst who would make a firm prediction either way, but there are some interesting trends worth examining.

Japan's post-war politics have been based up to now on a coalition of business and farm interests, represented since 1955 by the LDP. Put crudely, the businessmen provided the money and the farmers provided the votes to keep the LDP in power, thanks to an electoral system which still accords much more weight to rural constituencies than to urban ones.

For most of the past 40 years, there has been little criticism of this coalition, as it fitted perfectly with the broadly-based consensus in Japanese society that the important thing was to get on with rebuilding the economy.

Thus, for the most part, the politicians were left to get on with it, or rather to stand aside and let the bureaucrats get on with it. In these circumstances, the politicians became mainly concerned with satisfying themselves and their supporters, the farmers and the businessmen.

Corruption in Japanese politics is on a scale that is hard to imagine in other Western democracies and is accepted as being normal. Administrations come and go not because of their virtues or vices but simply as rewards for long service to the party.

However, politics do not exist in isolation from the forces at work in the society, and Japan's society is changing rapidly in many important ways. The farm population is contracting rapidly, and most farmers now spend only a fraction of their time on the land, the rest in salaried jobs. White-collar workers form an important new force in society.

Business interests, hitherto united in pursuit of a single goal, are now widely divergent. Now that Japan is an economic power in the world, the debate over an appropriate strategic and military role for the country is becoming more acute.

These conflicts have already surfaced occasionally in politics, suggesting that it is becoming more difficult to reconcile opposing interests behind the scenes than it was in the past. But the tax reform issue is the first really fundamental issue on which the gloves are coming off in public.

The debate on tax reform in Japan goes back to the late 1970s when the Ministry of Finance began to worry about the stability and adequacy of its revenue sources. The tax system was, and is still, based heavily on personal income and corporate profit taxes. MOF officials were worried that this would not be adequate to finance the bubble of aged people which, according to demographic patterns, would emerge in the late 1990s.

An attempt was made in 1979 to boost indirect taxes, mainly through the introduction of a sales tax, but it was quickly scuttled by opposing interests, mainly farmers and other self employed people who did not want to be brought into the tax net.

By the mid-1980s, the situation was becoming more urgent and was coupled with increasing pressure from foreign governments to reform a number of taxes which discriminated against imports. Mr Yasuhiro Nakasone, Mr Takeshita's predecessor, made another attempt to bring in tax reform last year, but was humiliatingly defeated by opposition from within factions of his own party.

Mr Takeshita took up the challenge from the moment he came to power last November, and has put together a package of reforms build around the introduction of a 3 per cent consumption tax.

Long famous for his consensus-building skills within the LDP, he has worked long and apparently effectively to win support within the party and to explain to the public the need for change.

By tradition, if all the opposition parties are opposed to a measure, the LDP does not try to use its majority to force through a piece of legislation. Thus, in a case like this one, the LDP's job is to try to pry one of the opposition parties away from the others.

In this instance, it is going after the Democratic Socialist Party (DSP), the third largest opposition grouping after the Japan Socialist Party and the Komeito (clean government party). The DSP has close links with some of the larger and more conservative trade unions in the steel, automotive and electronics industries.

DSP leaders are being reminded that these industries will benefit from the tax reform because the current commodity taxes on their products, which are very high, would be removed in favour of the 3 per cent consumption tax.

DSP leaders are now negotiating conditions with the LDP under which they might be prepared to withdraw their opposition to the tax reform legislation. If no deal can be reached, then the LDP will be in trouble.

It remains to be seen whether or not Mr Takeshita will have the audacity to break the mould and push through the reform without any opposition support. But some observers think he will, simply because he has nothing to lose.

The traditional response would be to shelve the tax reform, but that is not really an option. Next year, there must be elections to fill one third of the seats in the Upper House of the Diet and Mr Takeshita would like to take advantage of the opportunity to repeat Mr Nakasone's exploit in 1986 of holding Lower House elections at the same time.

Double elections tend to favour the ruling party, and a good result would secure Mr Takeshita's own reappointment by party leaders to a second term as party president and Prime Minister.

In any event, it would be politically difficult to be legislating tax reform in an election year, so postponement would mean putting it off for at least two years.

And that would represent a humiliating defeat for Mr Takeshita. Thus, the stage is set for an unusually interesting autumn in Japanese politics.

Ian Rodger

Politics — getting things done

How the lobby works

THE PRESIDENT of one of Japan's largest motor companies wants to see lower commodity taxes on cars. How does he achieve it?

An American might assume that he buys himself the best possible lobbyist, gives him a lavish expense account, a large staff, a good address and waits for the results.

Someone from England might expect the carmaker to call in some MPs and push for a new piece of legislation on the matter, in consultation with Whitehall officials.

In Japan, no matter who you are, if you want something out of Government, it is you who does the running.

Mr Kaoru Yosano, 49, a long-serving LDP Diet member and director of the LDP's Commerce and Industry section, explains it this way: "First, you have to run around within government. Your first stop is the Ministry for International Trade and Industry. There, you make them feel this change is necessary.

"Then, you go to the Prime Minister. But he won't do anything. Then, the Miti Minister, Secretary General of the LDP and Finance Minister. These visits, all in person, not on the phone, are a prerequisite for the next manoeuvre."

Then, he explains, "You must find the correct route to approach Mr Sadanori Yamanaka, head of the LDP tax commission. After this, you mobilise your juniors to talk to Mr Yamanaka's juniors, Vice-ministers and various Diet members. Then, there is an atmosphere that tax reform in this area must be made," he says.

Political donations, on a regular basis, also help smooth the way. "A small amount each year guarantees that you can speak to the person you want to see. But these donations must be made in times of peace, not war."

After this spade work is done, the businessman will turn to the appropriate *zoku*, a group of Diet members who specialise in the concerns of a particular industry or social sphere in co-operation with the corresponding bureaucratic agencies or ministries. These *zoku* members will then push the appropriate legislation through the Diet, assuming the atmosphere created by the carmakers is positive toward it.

"This is person-to-person persuasion which amounts to organisational persuasion. The trick is to throw as many seeds as possible," Mr Yosano explains.

As he speaks, his point is illustrated by the constant knocks on his door. He excuses himself, bows and accepts the card of another government Minister, industry chief or constituent, exhanges some brief greeting and then turns back to his guest.

Zoku, literally political tribes, are gaining in power in a number of key areas, however. "The centre of deliberation has shifted from the bureaucracy to the LDP. Now, Finance Ministry officials must go to the LDP about the budget, not the other way round. Underneath, the bureaucracy still guides the operation, but politicians are gaining," says Mr Takashi Inoguchi, a political science professor at Tokyo University and an authority on *zoku*.

Zoku politicians are most active in areas such as agriculture, construction, transport and communication, he says, as opposed to defence, education, legal affairs and finance where the bureacratic hold is still pincer-tight. Both in recent battles to liberalise or reform agriculture, telecommunications and construction practices, the *zoku* politicians in those areas helped convince industry and, in many cases, the bureaucracy, of the need to change their ways.

"But the bureaucracy still has great power," Mr Inoguchi says. "Virtually all Bills come from bureaucracy because only they can get approval from all Ministries. The legal bureau can pinpoint one phrase of a member's Bill and knock the whole thing out."

Politicians do not have highly-educated aides to help them get around that problem. "Even former Prime Minister Yasuhiro Nakasone's battle against the bureaucracy failed," says Mr Inoguchi, in reference to Mr Nakasone's attempt to secure an overhaul of Japan's educational system and the country's complicated administrative procedures.

Mr Yosano points out that where *zoku* is staffed by respected politicians, it is usually very successful. *Zoku* fall into trouble when it is clear to everyone that the politicians are merely in the pocket of the industry, which was the case for the life insurance *zoku*, for example.

Even in the cases where the *zoku* is relatively powerful, such as in agriculture, certain changes take a very long time. "They (the agricultural *zoku*) know that the rice price is too high. They have come to the conclusion that we cannot avoid liberalisation of this market.

"But the whole process, although it appears funny to you, is a process of persuasion of the farmers while, at the same time, saving the faces of the politicians," he says.

"They are fighting a war which they know very well they will lose, but the important thing is how they will lose," he says. This process can take a long time, but it keeps conflict to a minimum.

Is this system frustrating? "There used to be constant criticism that our political system was inefficent and foolish. But I'd like to know how our economy can continue to flourish with such a bad political system," Mr Yosano says with a smile.

Carla Rapoport

Civil service careers

An escalator to heaven

"AS ALWAYS our rule is up or out."

In his 19 years in the powerful Ministry of International Trade and Industry, Mr Tadakatsu Sano has ascended several flights on the Japanese civil service escalator.

So far, promotions based solely on seniority have brought him to his present position: *kacho*, or director, of the exploration division of the Natural Resources and Energy Agency's petroleum department.

From here on, however, nothing is automatic. Nearing the top of the pyramid, there is room for fewer and fewer climbers on the stairs, and time ticks away inexorably.

There are no short cuts to the top civil service position in Miti – Vice-minister, comparable to a Permanent Secretary – or to the 11 directors general immediately below him.

For his efforts so far, Mr Sano now occupies a desk in one corner of an office shared with his 13 staff. Small gun-metal desks are arranged in groups of four and six on the scuffed blue linoleum tiles.

Mr Sano's deputies sit at desks parallel to his, backs to the single wall of windows – with venetian blinds in varying states of disarray.

They face a door all but obscured by a bank of filing cabinets. A shared IBM PC is the only computer terminal in the room.

The pattern is repeated in rooms on this floor, on other floors and in other ministries throughout Kasumigaseki, Tokyo's Whitehall. Apart from two postings to Paris, Mr Sano has worked throughout his career in just such an office, either in this building or in Miti's other block across the car park.

Like other civil servants, he has slowly moved away from the most junior positions near the door. Only at the next grade, *bucho*, director of a department, could Mr Sano expect to have an office of his own. That is six or seven years away, a minimum of 25 years after his joining Miti and no more than eight years before his enforced retirement.

In the close humidity of a rainy season which has not yet lived up to its name, Mr Sano and his staff are working in shirtsleeves. Some have rolled up their sleeves and occasionally disturb the warm air with a wave of paper fans, on one of which is printed pastel morning glories.

On many days, they would be processing applications and answering queries about oil and natural gas exploration both at home and abroad.

Mr Sano himself would receive visitors both from elsewhere in Miti and from the companies seeking his advice. On this day, however, he and his staff are more concerned with what he describes as "inner business."

"Every day is completely different – you cannot say any day is ordinary," says Mr Sano. However, this day is perhaps less ordinary than most. Two days previously, there had been a major reshuffle within Miti. No fewer than one-third of the Ministry's 2,220 staff had changed jobs

Continued on page 5

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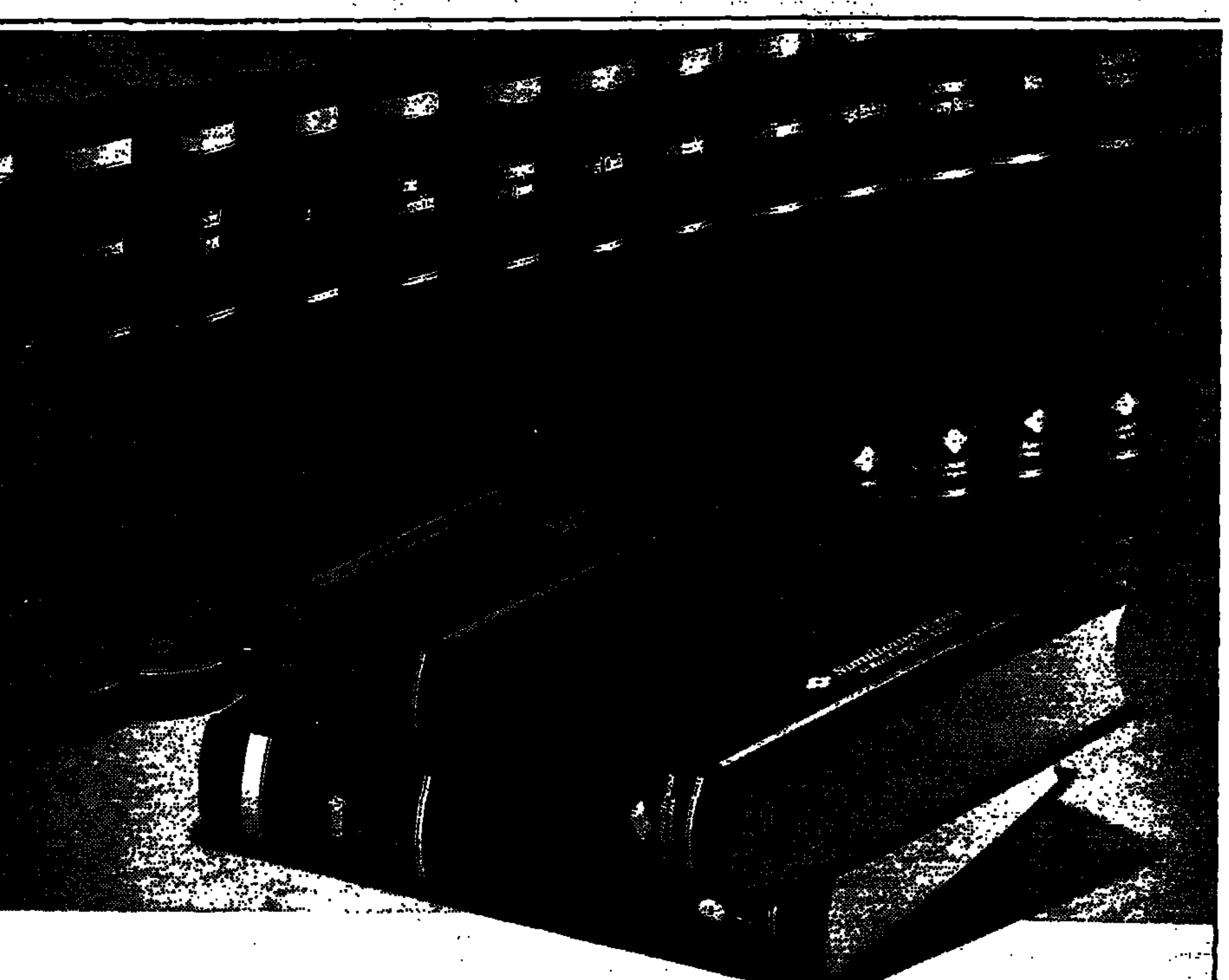

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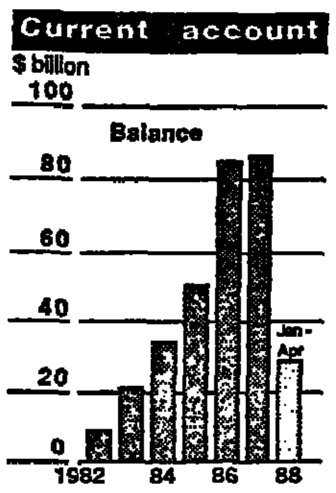
The Economy

Growing out of trouble



"FOR THE first time Japan can say that it is implementing the ideal pattern of growth and adjustment as a surplus economy," says Mr *Takeshi Ohta*, Deputy Governor of the Bank of Japan, underlining a new sense of achievement among Japanese policymakers about their management of the economy.

For once, Japan has managed to grow its way out of trouble, not by stimulating exports but by pumping up demand in its own domestic market.

Spurred by surging domestic demand, economic growth in the first quarter of this year soared to an annualised rate of 11.3 per cent, the best quarterly performance for 11 years and a far cry from the recession that seemed to be staring Japan in the face a year ago in the wake of the rapidly rising Yen.

Behind this headline figure, however, are two lingering worries: first that runaway growth could rekindle inflation; and second, that the impact of high growth on Japan's large trade surplus has so far been disappointingly modest.

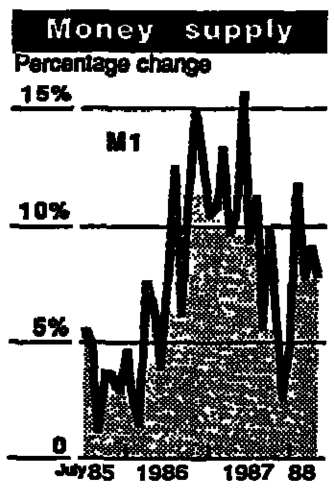
So far this year, Japan's economic performance has defied the expectations of even the most optimistic pundits who saw domestic demand begin to take off in the second half of 1987 on the back of an easy monetary policy, rising stock market and a boom in housing starts.

This had set the economy on an upward course even before the Y6,000bn emergency reflationary package announced by the government last Autumn which helped to fuel consumer confidence further.

Mr Ohta says there are four main reasons for Japan's better than expected performance: domestic price stability which saw consumer prices rise by only 0.5 per cent in the fiscal year to end March; relative stability of exchange rates; low raw material import prices brought about by the high value of the Yen; and the wealth effect caused by rising prices of financial assets.

Beyond this, however, is the psychological factor of confidence which has made the surging growth rate a self-fulfilling prophecy. "I'm convinced that a key to the recovery of confidemce was the government decision to undertake to stimulate spending rather than the spending itself," says Ms Elizabeth Saccente, senior economist at Citicorp Scrimgeour Vickers.

According to the Economic Planning Agency, one of the main forces behind the fast rate of growth late last year, housing starts, has shown signs of softening. But consumer spending continues very buoyant with heavy demand for consumer durables even at the lower quality end of the market spurred by an influx of cheap imports from neighbouring Asian countries.



Meanwhile industry has begun to invest in new plant and equipment to meet this new found demand. According to the Bank of Japan business plans to raise capital investment by 18.6 per cent this year, something which should sustain the recovery into later quarters.

For fiscal 1988 which ends in March next year, the government is forecasting a growth rate of 3.8 per cent. In the light of current performance most economists say this now looks too low, and estimates are beginning to come in around the 5 per cent mark. But the general consensus in Tokyo is that the growth rate will begin to slow as the year wears on.

Among the reasons advanced for this by Mr Kazuaki Harada, Chief economist of the Sanwa Bank are the slowdown in housing starts and the fact that the government will not need to repeat its emergency spending programme in 1988. Others are also worried about inflation.

Though the Bank of Japan professes to be unconcerned about inflation, many see it being forced to tighten monetary conditions slightly later in the year. "They will do what is known in the US as snugging," says Mr Junichi Nishiwaki, Chief Economist of Mitsubishi Bank, which means nudging money market rates gently upwards.

The key M2 money supply indicator which includes certificates of deposit grew by 11.4 per cent in May, below its peak rates of around 13 per cent in the final quarter of 1987, but still a rate that many consider to be on the high side.

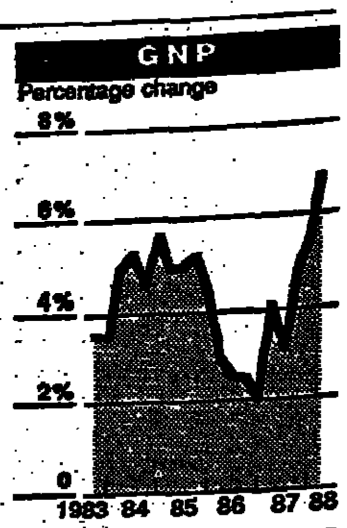
Coupled with recent signs of rising international commodity prices, particularly for metals and foodstuffs, this is likely to push consumer prices slightly higher. The acceleration in inflation is likely to be modest, however, as wages are still growing only slowly.

Japan's unemployment rate is a low 2.6 per cent, but there is a labour mismatch between some older industries such as shipbuilding which have been forced to reduce their workforce and newer service sector industries where labour is in short supply. Overall wage increases agreed in the last spring round amounted to an average of some 4.4 per cent compared with 3.5 per cent in 1987.

Meanwhile the trade surplus continues high. Though imports have been growing fast, particularly from the newly industrialised Asian economies, export volumes have shown signs of recovering.

One reason for this is the appreciation in the currencies of Taiwan and South Korea this year which has restored some competitiveness to Japanese exporters. Another is exports of plant, equipment and parts by Japanese companies to their newly formed production units abroad. Though the the development of foreign manufacturing should eventually help reduce Japan's trade surplus, the initial effect on the balance of payments has been positive.

The Sanwa Bank's Mr Harada says he expects the trade surplus to drop only modestly in the current fiscal year to around $88bn from $94bn in fiscal 1987.



The tax reform planned by the ruling Liberal Democratic Party will not change much in this regard. Though it involves a Y5,600bn cut in personal tax, the revenue will be recouped by a 3 per cent consumption tax.

If the changes go through they could initially stimulate the economy even further since the tax cuts will be introduced before the consumption tax becomes effective.

Peter Montagnon

Elegant descent

Tadakatsu Sano: climbing the escalator

Continued from page 4

- all in one day with no advance notice.

The rotation itself was unremarkable; each civil servant is moved every two years on average throughout his or her career. The scale of the changes, however, had been surprising, as was the fact that the agency's director-general, his deputy and and heads of all three departments - petroleum, coal mining and public utilities - had all been moved at one time.

Amid all this movement, it was a matter of coincidence that Mr Sano's division - 11 men and two women - had been unchanged. Usually no more than two months pass with exactly the same complement. Mr Sano himself had been *kacho* of this department for only one year, so a move this time would have been unexpected.

If a new staff member had been assigned, Mr Sano would have had no say in his or her selection. The most discretion allowed to him by the all-powerful personnel department would have been to have a hand in drawing up the job specification.

There is also no question of applications being invited for vacancies; "We do not like to leave any posts vacant," Mr Sano explains.

One reason for the extent of the recent reshuffle was the retirement of Miti's Vice-minister. After 33 years in the civil service, he had to go: there are no exceptions. Normally, the retiring Vice-minister will go to a second career, through a process known by the elegant term *amakudari*, meaning descent from heaven.

He will go either to a top position in a state enterprise or to a slightly less senior job in a private sector company (for the protocol of seniority must be recognised even for figures of this stature) with the unspoken promise of preferment to come.

Because of the senior staff changes, Mr Sano's section was busily engaged last month in preparing written reports about the division's activity for the new superiors. He expected at any time to be summoned by the *bucho* to give a full statement of affairs.

Although the new *bucho* would be a 25-year veteran of Miti, there was no guarantee — even under the rotation system — that he would have had any first-hand administrative experience of petroleum or even natural resources and energy. Since joining Miti in 1969, Mr Sano has had 11 different jobs, for periods ranging from nine months to three years.

After his initial assignment to the International Trade Policy Bureau, he was seconded for 18 months to the Organisation for Economic Co-operation and Development secretariat in Paris. Such secondments — and similar graduate study sabbaticals — are viewed as neutral in terms of career progression. Mr Sano returned from Paris as a *kakaricho* or assistant to the deputy director, in the heavy industry bureau.

The title recognised only that he, as a "first-rank" entrant based on his university examinations, had been with Miti for three years. The "first-rank" are the elite stream of Miti, comprising less than 5 per cent of its total staff; only they have any chance of advancing beyond *kacho* at any time in their career.

A second-rank entrant, for example, is likely to take 10 years simply to reach *kakaricho*. As a law graduate of Kyoto University, Mr Sano is also in a small minority among the Miti first-rankers — of which 90 per cent graduate from Tokyo University.

Mr Sano subsequently became *kacho-hoso*, deputy director, first in the mining division and then in the West European division of the trade policy bureau, the iron and steel division of heavy industries, the general co-ordination division of the trade administration bureau, and finally back to a general co-ordinating role in the policy bureau.

In the spring of 1983, after about 14 years in Miti, he was promoted to *kacho*, with initial responsibility both for the space industry and for "venture business" — the promotion of new industries.

Before his current role, he spent three years attached to the Japan External Trade Organisation (Jetro) in Paris. Mr Sano and his wife, who works for a clothing company, have no children, so she was able to accompany him to Europe without their worrying about disruptive effects on education, a factor which often makes such postings unpopular.

"I can be an actor if you want to make a movie," Mr Sano replies when a photographer suggests that he lean over with his hands on the desk of one of his staff, to confer in the conventional pose of a Western manager. Far better, it is decided, to show him as he actually works: one of Mr Sano's four deputies comes to the boss's desk for a briefing.

In any division, the deputies bear the brunt of long hours, working until midnight if necessary to get the work done. As *kacho*, Mr Sano usually comes to the office about 9am, and leaves no later than 6.30pm.

That is not to say that he goes straight home, even though he is fortunate enough to live in the trendy central Tokyo district of Akasaka — thus avoiding the three hours' daily commuting faced by some of his junior staff.

He goes out most evenings, sometimes to dine with company representatives — but only to discuss the most general of policies — sometimes with a study group.

On this evening, he will attend a dinner in honour of a retired director-general of one of Miti's agencies. He works perhaps one Saturday a month, fewer than most civil servants, but never schedules meetings which would force other staff to attend.

The corporate contacts may turn out to be important in later years, even though Mr Sano says: "I never thought of working in a private company."

Along with the looser reins of seniority in the financial sector — where a chief executive can be as young as 45 and expect to stay in office more than the two years, on average, which a Vice-minister serves before his retirement — the monetary factor may make it harder for Miti and other Ministries to continue to attract Japan's best and brightest.

Mr Sano notes that in his age group, peers who went into the financial sector may now be making three to four times' the salary of their civil service counterparts. Even the most well-aimed descent from heaven will not be able to make up that much lost ground.

Clay Harris

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Financial markets

Confident shift in power

FOREIGN bankers passing through Tokyo today can hardly *believe the extent to which* Japan's financial markets have changed in the course of a year.

Last summer it was possible to argue that the apparent strength of Japanese financial companies as they spread around the world was based on weak foundations. The truth would come out, it was said, once the bubble burst in the Japanese equity and real estate markets.

But the events of last October have put paid to this view. Even senior Japanese fund managers had their doubts at the height of the crisis about whether the Tokyo market would come out of the global crash unscathed.

But the fact that it did has *reinforced the self-confidence of* Japanese financial companies to an unprecedented extent.

The shift in financial power is symbolised by the fact that the capitalisation of the Tokyo stock market, which was already bigger than New York before the crash, is now 50 per cent larger. The results of this transformation are becoming apparent across the whole range of Japan's relations with the rest of the world – in politics, trade and finance.

*Japan has become more confi*dent in putting forward solutions to financial problems – even including those of the US, which was once regarded in Japan as being almost beyond criticism. Mr Toyoo Gyohten, the Vice-minister in charge of international affairs at the Ministry of Finance, encapsulated the change in mood in a speech in New York a few weeks ago when he revealed that Japan had advised the US to consider issuing Reagan bonds – instruments denominated in yen.

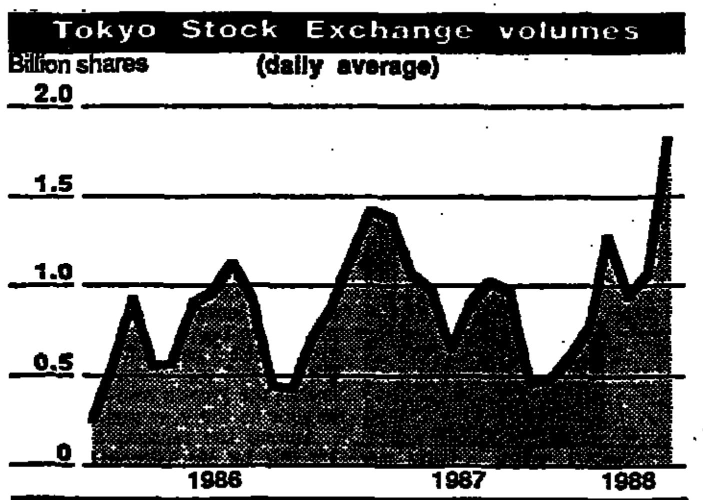
Even a year ago, many Japanese, let alone Americans, would have seen such advice as presumptious. There is nothing new about the reasons behind this *growth in Japan's inflnence in* financial affairs - it stems from the huge reserves Japan has ammassed from her export surpluses with the rest of the industralised world.

But the crash has made clear that the way Japan invests those surpluses has become the dominant long-term issue in today's financial markets. Continuing current account surpluses mean that Japan will have huge amounts of capital available for investment abroad.

Last year, overseas portfolio investment totalled $90bn, down on *1986's $100bn as a result of* Black Monday, but far ahead of the $54bn recorded in 1985. This is why the competition for access to Japan's financial system is so ferocious.

In 1987 attention focussed firmly on the efforts of foreign securities companies to win membership of the Tokyo Stock *Exchange. With most of these* companies now trading, the biggest battles are being fought between different kinds of Japanese companies – between banks, stockbrokers, life insurance companies and the rest.

Japanese companies are currently concentrating on the home market for several reasons. The first is a natural reaction to Black Monday, which affected other markets more than Tokyo.



Next is a belief that, for banks in particular, it is necessary to consolidate some of the headlong overseas growth of previous years.

Finally, deregulation is opening fresh opportunities to attack new markets inside Japan.

The importance of deregulation in opening new fields is graphically illustrated by the Y3 trillion commercial paper market which was launched only last November.

Even this is dwarfed by the abolition in April of *maruyu* - a system of tax breaks on most kinds of small deposit account.

Funds have flowed in huge amounts into higher-yielding alternatives including life insurance policies and investment trusts. The net assets of investment trusts, for example, grew in the year to March at 38.5 per cent – or nearly four times faster than the overall growth in savings.

Japanese financial companies also have high hopes of the next big measure on the deregulation agenda – the establishment of new markets in futures and options. Reform is putting irresistible pressure on the whole post-war structure of the Japanese financial community.

One sea-change has already mostly occurred: the admission of foreigners into markets where they were previously forbidden. Now the second is under way: the dismantling of barriers dividing Japanese companies into different market sectors.

The key issue is the separation of banks from securities companies. The banks argue that the worldwide trend towards securitisation threatens their livelihood and want more access to the securities market.

They also claim that they need access to new sources of profit to improve overall performance to meet proposed new international standards on the capital adequacy of banks. Meanwhile, the stockbroking companies, which have made huge profits in recent years, are defending their lucrative territory.

The legal barrier – Article 65 of the Securities and Exchange Act, which is closely modelled on the American Glass Steagall Act – is coming under increased pressure. The banks, with tacit approval from the Ministry of Finance, operate overseas securities subsidiaries and have tightened links with medium-sized Tokyo securities companies.

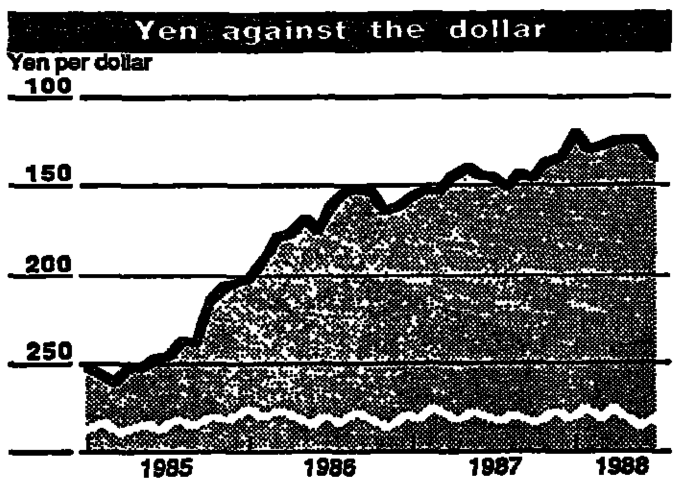
Meanwhile, the Big Four stockbrokers have opened banking subsidiaries in London.

The Finance Ministry is also agonising over the future of the Post Office, which holds Y127 trillion on deposit, one third of Japanese personal savings. While tax-breaks on these funds have been abolished, a host of other regulatory issues remain unresolved.

For foreign companies in Tokyo problems of access remain – notably the failure of foreign companies to increase their share of newly-issued government bonds above a paltry 2.5 per cent. Also BZW, a subsidiary of Barclays Bank, and James Capel, owned by Hongkong and Shanghai Bank, have yet to win stock exchange seats.

But the real battle for overseas companies in Tokyo now lies in competing with their huge Japanese rivals.

Stefan Wagstyl



The rise of the Yen

Prospering despite traumas

"EVERY time we have a crisis, we challenge it and solve the problem," says Mr Hiroko Okumura, Chief Economist of NRI & NCC, the research institute owned by Nomura Securities.

It is a remark born not so much of arrogance but of sober fact. Since the early 1970s the Japanese economy has managed to survive and prosper through the traumas of floating exchange rate and successive oil shocks.

Now its companies are engaged in solving another problem that many thought would leave them floundering in a sea of red ink – adjustment to a surge in value of the Yen that has seen the dollar plunge from a peak of over Y60 in 1985 to only about Y125 today.

Dealing with this crisis has not been easy and, according to Mr Masanobu Ikeda, managing director of the Victor Company of Japan (JVC), it has led Japanese companies into unusually keen competition with each other on both international and domestic markets.

There are three common strands to the strategy most companies have adopted to deal with the problem. They have stepped up spending on research and development to maintain their technological lead; produced even more high-quality goods; and transferred some production abroad besides buying some components abroad.

They have also rationalised the manufacturing process within Japan to cut costs.

At Canon, the camera and business machine company, foreign sales account for some 70 per cent of total consolidated turnover. According to Mr Hideharu Takemoto, one of its managing directors, 60 per cent of these sales are in areas with dollar-based currencies.

The company began its response to the rising Yen by raising prices in the US market, but with the demand for cameras there now flattening out, it is also moving some production abroad.

It doubled its photcopier production in Giessen, West Germany and is buying more cameras and camera components from nearby Asian countries such as Taiwan. The company plans this year to move its typewriter business to the US.

At the same time it is developing new lines within Japan such as the laser beam printer, a product whose market is doubling in size every year.

"This is profitable even despite the high Yen because it is a product with high added value," Mr Takemoto says.

The process of adjustment has been a painful one for both the company and its employees which Mr Takemoto says it regards as its family.

"Maybe we can't keep the lifetime employment system in Japan," he says, but still Canon did not fire a single employee in the course of its rationalisation programme, something which he believes has helped maintain morale.

Instead, starting with the directors and top management, they took salary cuts. Directors and senior managers had their remuneration cut by between 10 and 30 per cent, though the cuts have now been restored with the recovery of profitability.

Shopfloor employees saw their bonuses cut by 15 per cent and their overtime by half.

For the longer term, Canon is trying to develop as a global company with a worldwide establishment integrated into local markets. It believes this should protect it from shocks in any one area or market.

For JVC, which concentrates on up-market audio-visual related products, a main aspect of the solution to the problem was product development. "One of the most important measures was the development of new products which are the key to JVC as a manufacturer," Mr Ikeda says.

Already this approach has led to the launch of a compact video-camera and to a high definition or Super-VHS video recording system. JVC has also established a new central corporate research laboratory at Kurihama, about 80km south of Tokyo.

Meanwhile, it has also been able to take advantage of the surging demand on the domestic market. Last year domestic sales accounted for 53 per cent of total sales, more than double the ratio of 29 per cent recorded in 1981.

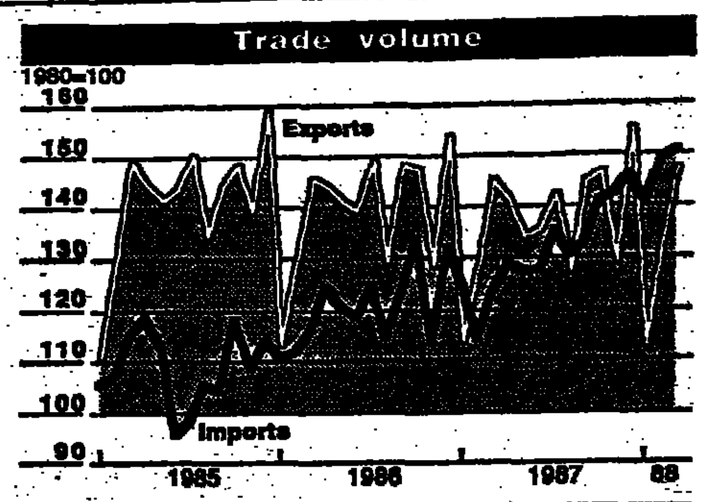
Like Canon, JVC has not had to lay off its workers as a result of the crisis, but its workforce has been reduced through natural wastage. Its overseas production has been growing and in Yen terms now accounts for 15 per cent of total output compared with 11.5 per cent in 1986. By current Japanese standards this is a relatively low proportion but it reflects that fact that JVC concentrates on the high quality end of the consumer electronics market.

It has been able to cut costs by changing designs. "We make new products with both fewer parts and components so we save on components and labour," Mr Ikeda says.

Groups of JVC workers get together and break down products to see how unnecessary parts can be eliminated. This has led to cost-saving innovation in the manufacturing process, he adds.

At management level, the company has reorganised itself to make better use of its workforce. For example, the general audio division, which has increasingly shifted its production abroad, was amalgamated into its hi-fi division in an effort to curb the trend towards what Japanese executives call the "hollowing out" of the domestic company.

The general managers of the main product divisions have also been given seats on the board with their own responsibity for technology, organisation and sales. This gives them a broader view of company management and a greater sense of responsibility, Mr Ikeda says.



Nonetheless, the trend for most Japanese companies is for a greater degree of internationalisation. Production of established products is being increasingly shifted abroad and research and development is being stepped up at home to create a new generation of products that can be manufactured, initially at least, in Japan.

Once regarded as a nation of copiers, Japanese business executives know that they have to retain a technological lead to survive.

The world in which they seek to survive is increasingly a global one in which they see themselves as an integral part of foreign markets. Japanese companies which manufacture in Europe no longer want their products to be thought of as Japanese, but as European.

Canon officials say they are now much less worried about the strength of the Yen or about classic forms of protectionism than about the possibility of widespread restrictions on foreign investment.

The company's policy of globalisation would be severely hurt by a proliferation of such restrictions which might force it to cede majority control to joint evnture partners, impose stringent local content requirements, assign a specific proportion of production to export and limit the sourcing of plant and equipment.

Peter Montagnon

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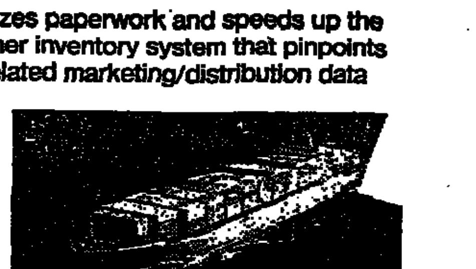

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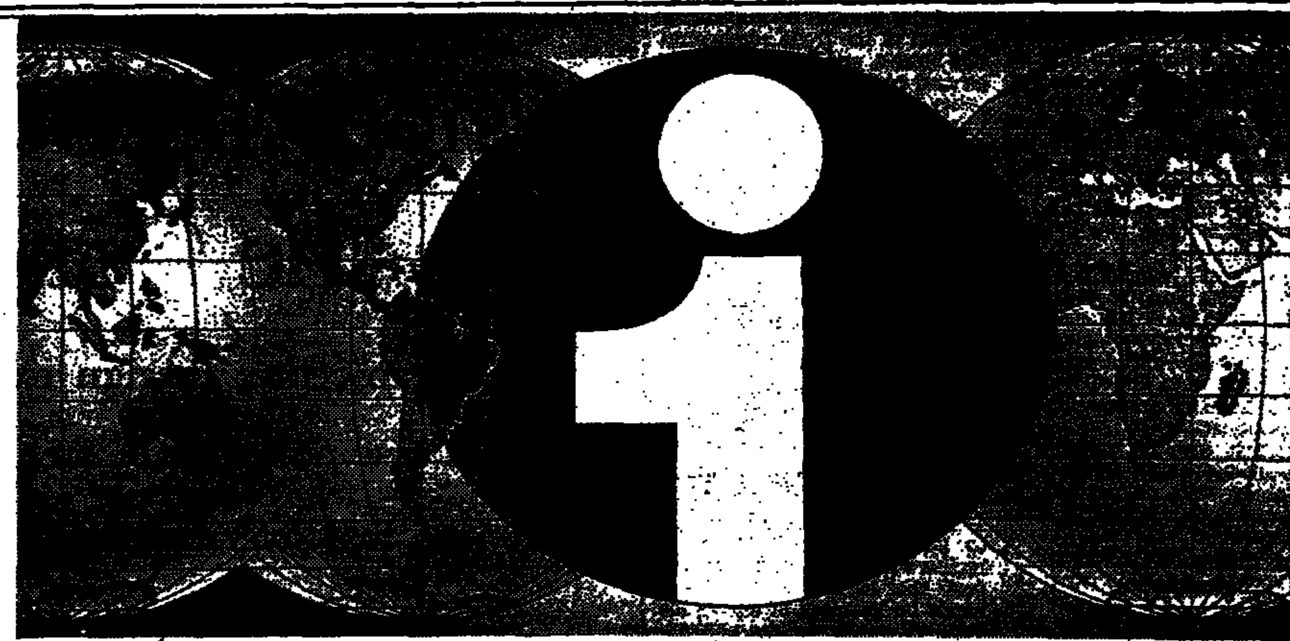

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Developments in Japan's seventh largest city

Bold plans in Kobe

WHEN THE city of Kobe wanted to build a subway line to open up its rural hinterland for an ambitious new town development, it had to gain Transport Ministry approval at three separate stages. The process took nearly four years.

Even now, if Kobe – Japan's seventh largest city with a population of 1.47m – wants to raise fares, the ministry in Tokyo must approve the move. The pattern is repeated throughout Japan for all but the most routine decisions by local governments.

This relationship reflects both the centralising tradition in Japan and financial realities. Kobe financed the Y250bn construction cost of the subway itself, but it receives an annual operating subsidy of Y8-9bn. Even so, the subway lost Y10bn last year.

Overall, Japanese local authorities – prefectures, cities, wards and villages – account for 70 per cent of government spending but collect only 30 per cent of revenue. They must rely for the balance on transfer payments and direct subsidies from the central government. And strings - ministerial approval at each step – are always attached.

As a result, liaison is a full-time job. Kobe keeps six staff permanently stationed in Tokyo, providing a dormitory for them in that high-cost city, to look after its interests with central government. Mr Tatsuo Miyazaki, Kobe's 78-year-old Mayor, visits Tokyo to lobby an average of once a week.

However, local authorities are not cowed by the power at the centre. They accept consultation as necessary to co-ordinate planning throughout the country and are not slow to act, in concert or competing with each other, to grab what money is going. They are also working from a position of strength.

In a pointed reference to the fate of the Greater London Council, Mr Fumio Arai of the Tokyo Metropolitan Government says: "In Japan, each local government is guaranteed by the Constitution and cannot be demolished." But local authorities are keeping a wary eye on the Takeshita Government's tax reform package.

If proposals for a national consumption tax go through, the result will be a reduction of direct taxes. These include the residents tax, a graduated local levy on income, on which local bodies rely for much of their revenue.

The new consumption tax might also supplant existing local indirect levies, such as the 10 per cent tax on meals costing more than Y2,500. In Tokyo, which relies on direct state subsidies for only Y380bn of its Y9,530bn annual budget.

Mr Arai says: "In the past we did not depend on the central government. We are trying to maintain that status under tax reform."

But local authorities are already in the front line in another way. When national government reduces services for financial reasons, it rarely meets serious opposition. However, according to Mr Kiyoyuki Kanemitsu, chief of Kobe's international division: "In local areas we have to face citizens in a direct way and it's almost impossible to cut down services. The balance tends to become the burden of local government."

For example, Kobe already has had to pick up an extra Y7.5bn in costs created by the central government's decision to reduce its funding of certain welfare benefits from 90 per cent to 80 per cent.

"Demand is acute in the field of services for the handicapped and senior citizens, especially the bedridden," says Mr Kazutoshi Sasayama, Kobe's Deputy Mayor. "To continue to provide better services for less-privileged people, we have to maintain the strength of the economy."

Like Tokyo, however, Kobe is determined to minimise its dependence on subsidies. "The Mayor often says that Kobe is something like Kobe City Inc because we carry on so many profit-related functions," says Mr Kanemitsu.

Not only did it make a Y6.5bn profit on the Portopia 81 exposition which inaugurated the 436-hectare multi-use Port Island reclaimed from the harbour, Kobe also profitably produces its own wines, mineral water and cheese.

The latter enterprises also have other purposes, of course: to encourage agriculture in the rural parts of the sprawling city, and to provide educational and tourist opportunities.

Kobe took over a failing city-centre hotel and runs it at a profit; money also flows in from shopping precincts, a fishing park and three municipal golf courses.

The contribution of all these activities to the Y1,750bn annual budget is still very small, but it indicates the city's open-minded approach to business opportunities.

Kobe has also pioneered certain forms of public-private sector co-operation such as the Port Liner transit system which connects Port Island to the city centre. A similar system is planned for Rokko Island, another reclamation project nearing completion in the harbour.

On this island, Kobe has sold the 131 hectares not involved in port facilities to Sumitomo Trust and Banking, which will oversee commercial and residential development.

Another joint project with the private sector is Harbor Land, where housing and commercial facilities are to be built in the Higoshi Kawasaki district on the 23 hectare waterfront site of a railway marshalling yard.

Per capita, Kobe spends considerably more than the national average for local authorities, and it has been an early and heavy visitor to the Eurobond market. Each issue must be approved by the Finance Ministry under "temporary" powers taken more than 30 years ago.

According to Mr Sasayama: "Finance is a big factor in strengthening our negotiating position with the national government."

Kobe's bonds, however, are always linked to specific projects such as the extension of sewerage to 94 per cent of the city, a high proportion compared with the 42 per cent average around Japan's Inland Sea.

"The sewage system will be used for many generations to come and they should bear part of the cost," Mr Kanemitsu says.

However, Kobe strives to keep debt service costs to less than 20 per cent of its general account; in the most recent year the figure was just over 15 per cent.

Kobe also succeeds in winning more than its share of available subsidies by consistently exceeding national norms for public services. For example, it runs far more than the average number of municipal nursery schools. Still, the most important factor for a city like Kobe is to know where the money lies – and how to convince ministries in Tokyo to give priority to its plans.

"We have earned somewhat of a reputation in the Ministry of Construction," says Deputy Mayor Sasayama. "They say we are very well informed about all the schemes available."

Clay Harris

Ambitious new town project eases overcrowding

The mountain movers

MANY men dream of moving mountains, but Mr Masaru Kimura sees it happening before his eyes every day.

From a dusty bluff only 12km from Kobe city centre, Mr Kimura can survey much of an ambitious new town project which is intended to house more than 100,000 people – and employ perhaps half that number - within a decade.

Within his gaze is not only the Academic Town Development for which he is directly responsible but also a distribution centre and sports park containing a baseball stadium and the athletics arena where the 1985 World University Games were held.

Out of sight over the next range of hills, and the next one after that, are housing and industrial estates in the making - Kobe's answer to overcrowding along a narrow strip of coast between the mountains and Osaka Bay. But the most amazing part of this project would be visible only to Superman, although the dump trucks crawling over the landscape give some hint of its presence.

Every day, 60,000 tons of stone and gravel are moved down to the sea on an underground conveyor system. To the left, Mr Kimura points out the huge pit which is part of the extension of this tunnel farther into the mountains. The spoil created by the inland development is then transported by barge to Rokko Island, the second artificial island to be created in the centre of Kobe's harbour.

In the 1950s, Kobe realised it needed waterfront land to modernise its port, and land in the mountainous hinterland to create new housing and employment. For three decades, Kobe's "moving the mountains to the sea" project – the first such in the world – has killed two birds with one stone.

More than 260m cubic metres of fill material has been moved in this way, not only to create the two islands, but also to extend other port and industrial facilities along the waterfront. Reclamation alone has cost Y810bn since 1957.

But Kobe has not finished yet. Once Rokko Island is complete, it will begin the second phase of Port Island. And after that, it has its eyes on building an airport on yet another new island, to be built in the bay.

In the current financial year, Kobe plans to spend Y321.6bn on public works, more than 20 per cent of the city's entire budget. Based on the record of the past five years, central government will pick up about 30 per cent of Kobe's public works bill through subsidies.

So far, the crown jewel of Kobe's building spree is Port Island, a 436 hectare development completed in 1981 and inaugurated later that year with the Portopia 81 Exposition.

The scheme was proposed in 1964 to provide a new terminal for container ships without interfering with existing port operations. Flanked by the container cranes, however, is a diverse but carefully planned urban community, including Kobe's international conference centre, museums and schools, offices for several dozen fashion companies, and housing and facilities for 15,000 - eventually 20,000 - people.

Before this project was completed, however, construction had begun on a sibling Rokko Island – to accommodate the larger container vessels whose draughts would begin to test the 12metre depth of the Port Island berths.

Kobe's public works programme is part of a comprehensive development plan agreed both with Hyogo prefecture, of which it is the capital, and with national ministries. Such plans are required for all local authorities in Japan, but Kobe appears to take a much more anticipatory approach than many of its counterparts.

In part, this is because it has to come to terms with its topography. Until recent years, most development – and 1m of its population – was on the coastal strip overlooked by the scenic Mt Rokko. To open up the interior, Kobe has built a number of toll tunnels through this massif, taking advantage of generous government subsidies.

According to Mr Isao Mizohashi, planning chief in the mayor's office, Kobe's timing of applications for housing developments in the rural north-west part of the city was also fortunate, coinciding with government promotion of that sector.

Although all industrial parks are city-planned and city-run, there is also a role in the public works programme for the private sector, which carries out most of the construction.Looking ahead a decade - as its planners always are - the main hurdle Kobe needs to clear in negotiations with Tokyo is the dream of its own airport.

At present, the nearest facility, Osaka International, is 90 minutes away by road, and even the planned Kansai airport to be built in Osaka Bay – using techniques pioneered by Kobe will not be that convenient. Moreover, for Kobe's pride, it is still too identified with Osaka, the larger neighbour and rival.

So far, however, the Transport Ministry says a separate Kobe airport does not fit into the national plan. Air traffic control appears to be the main sticking point.

Kobe has not given up, but it already has a parallel proposal. At the very least, it intends to build a air terminal on the extension of Port Island and ferry passengers to and from the new Kansai airport by hovercraft.

By that time, Mr Kimura will have levelled his mountain, and the City Fathers hope to have new peaks in their sights.

Clay Harris

Busy port builds upon its industrial strengths

Seeking to diversify

FOR MORE than a century, Kobe has looked to the sea for its prosperity. An international entrepot since 1868, it competes with Rotterdam for the title of the world's busiest container port.

Moreover, two of Japan's leading shipbuilders have large dockyards at Kobe, its fifth largest steelmaker is based here, and the port handles a heavy two-way traffic in processed foods.

But despite heavy investment in modern facilities, volume has fallen in recent years because of competition from other Asian ports and the effects of the higher yen. The industries which crowd the Kobe waterfront have not been immune to the same influences.

Although employment in the city rose by nearly 8 per cent to more than 702,000 between 1981 and 1986, manufacturing jobs declined by 6,000 over the same period.

Kobe now faces the problem of how to build on its strengths when so many factors are outside its control.

The city's three largest private sector employers, Kobe Steel, Mitsubishi Heavy Industries and Kawasaki Heavy Industries, now have a total local workforce of only 30,000 - half the level of 20 years ago.

This reflects the hard times which have affected their main businesses in Kobe: steel in the first case and shipbuilding for the other two.

At their adjoining shipyards in the Hyogo district of Kobe, the effects of rationalisation at Kawasaki and Mitsubishi are evident. Shipbuilding now accounts for only 20 per cent of their local operations.

Kawasaki is building submarines for the Japanese navy, but has stopped all other shipbuilding activity except for repair and maintenance. Taking up the slack is manufacture of railway rolling stock - Kawasaki and Kobe Steel collaborated on the carriages both for the Port Liner transit system and Kobe's new subway line which was completed last year.

Kobe is reknowned for steel and shipbuilding

Mitsubishi, meanwhile, is still building research subs and ocean liners but it is devoting more space to nuclear generator components and mobile seating systems for convention halls.

Kobe Steel - which also maintains a headquarters in Tokyo, where the top management is based - has rationalised its mills on two sites, at Kobe and nearby Katagawa. Nationally, Kobe Steel is likely to continue the diversification which means that iron and steel account for less than half of its turnover.

Local service industries are also diversifying. Daiei, the retailing giant, will operate one of the most striking landmarks on the city's skyline - a new hotel nearing completion near the "bullet line" railway station.

The city's official policy is to let the large companies take care of their own problems, although it consults with them regularly.

Kobe concentrates its efforts and its resources on small and medium-sized companies to which it offers special low-interest loans.

It has established a number of mini-industrial parks both in redeveloped inner-city areas and at greenfield sites on the outskirts. These focus on a single industry, for example, a furniture park in the west of the city.

The highest profile "magnet" is Fashion Town on Port Island, where 38 companies - making apparel, jewellery and other "lifestyle" products - have been attracted to locate offices.

National policy views Kobe as a "neutral" site: industry officially is neither to be encouraged to leave, as it is from Tokyo, Osaka and Nagoya, nor to move in - as it is for large, underdeveloped sections of the country.

Nevertheless, financial incentives are available to companies choosing to locate in the new Seishin industrial park and the nearby Kobe high technology park. These include special tax treatment for the replacement of corporate assets and exemption from a swinging tax levied on unused land.

This has enabled Kobe Steel and Kawasaki, for example, to buy sites in the high-tech park for use at a future date, probably for the manufacture of industrial robots.

Companies moving to these new developments thus get the best of both worlds: low land prices and financial aid for locating on sites less than 10 miles from the centre of Kobe.

However, Kobe's future cannot be divorced from the fortunes of its port - which still accounts for 25 per cent of the local economy, a similar contribution to that of heavy industry.

"We have been doing our best to modernise our facilities," says international division chief Mr Kiyoyuki Kanemitsu. "We have to move to reduce costs in other areas of port operations".

As long as the yen stays high, our main objectives are dealing with port union restrictions which prevent working at weekends, he added.

Clay Harris

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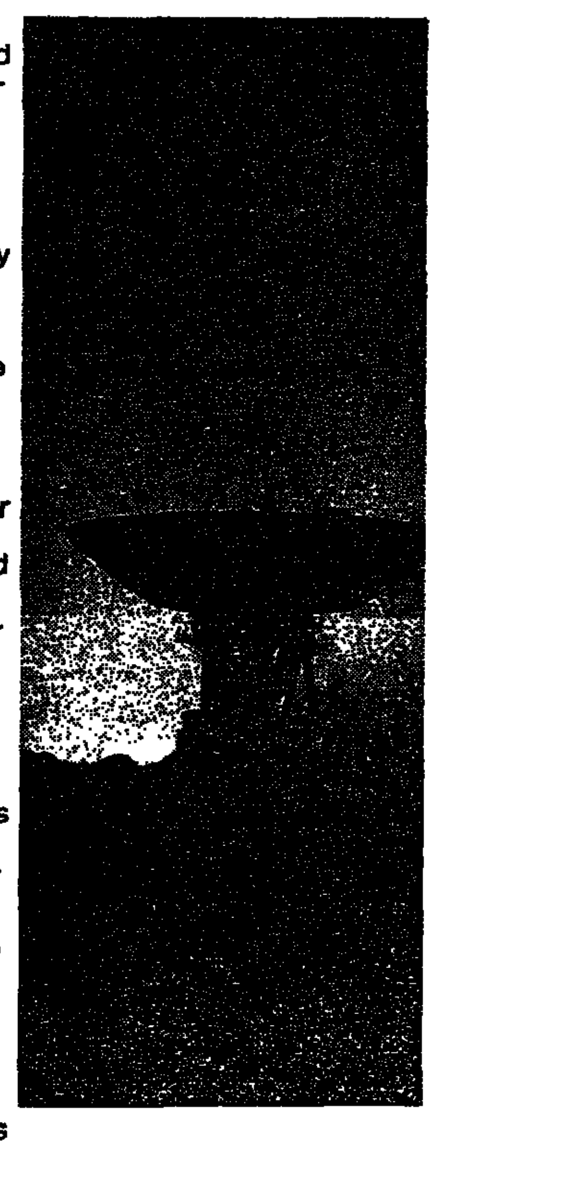

Hitachi's wide-ranging technologies in communication (from left to right): optical fibers, optical IC, advanced telephone exchange system, and satellite communication.

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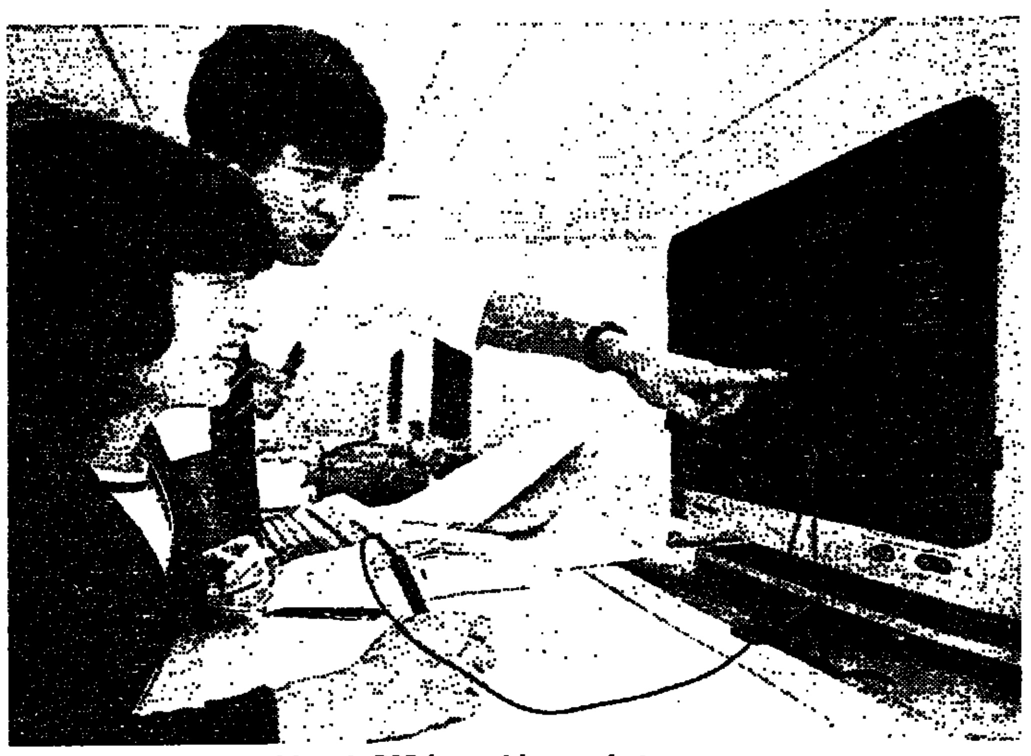


More than 80 per cent of Japan's R&D is spent by manufacturers

Japanese companies are raising R&D spending

A need for more basic research

WHEN THE yen started to creep up against the dollar in late 1985, Japan's major exporters seemed to act in unison.

Fixed costs were slashed, production was moved offshore wherever possible, and spending on research and development was left untouched or increased.

Japan's commitment to research and development is legendary in international business circles. In 1985, for example, Japan was already outspending the United States on research and development as a percentage of GNP.

Unlike the US, however, where nearly half of the nation's research and development is government-funded, Japan's corporate sector accounts for more than 80 per cent of the nation's R&D.

This heavy private commitment to R&D has helped Japan to maintain its exports in a whole range of products, from motor cars to semiconductors, despite the appreciation of its currency.

This year, for example, Japanese companies are expected to pump up their R&D capital expenditure by another 20 to 30 per cent. For the most part, however, most of this money will continue to be concentrated on applied, product-oriented research, not basic research.

Indeed, although corporate spending on basic research is slowly rising, Japanese executives cannot break out of the mould of describing this field in terms of its commercial potential.

For example, Mr Shigeru Sato, a board member of Fujitsu Laboratories, says: "Our basic research ratio is increasing year by year because it is important. New scientific opportunities are very important to getting new business, so we need basic research."

Research and development analysts are more outspoken about the problem. Tom Murtha, an analyst for Baring Securities in Tokyo, says: "Despite the lip-service given to it in Japan, basic research does not get the recognition it deserves.

"There are some world-class researchers in Japan who are not only fighting for recognition, but are fighting for funds. The money for blue-sky research just isn't there."

The reasons are not just a determined commercialism on the part of Japanese companies. They are also the result of the Japanese academic world's extreme rigidity, in which the senior professor or researcher holds the purse strings and doles out money only for projects which support accepted wisdom. Projects which challenge accepted wisdom are usually rejected.

Despite this lack of freedom in the laboratory, Japan, of course, does very well. In all fields, from microwave ovens to neurocomputers, Japanese technicians have refined the art of using basic research from other countries and turning it into viable products which everyone else wants to buy.

But in recent years, the countries which bear the cost of basic research have begun mounting complaints against Japan, arguing that not only must Japan spend more on basic, blue-sky research, but it should allow more foreign researchers into its laboratories.

Mr Soichiro Ito, Japan's Minister of State for Science and Technology, does not disagree. "Japan has borrowed technologies from other countries in building its economy. The time has come to repay those countries for their favours.

"There is practically no technology which Japan has still to learn from other countries. Japan, therefore, has to carry out technological development by itself. Japan should pursue basic research more enthusiastically," he said in a recent government publication.

He admits that Japanese researchers in the United States outnumber the country's scientists in Japan by a ratio of 10 to 1.

"At present, it appears Japan's doors are closed," he says. In fiscal 1988, however, his department has budgeted for 100 fellowships for foreign researchers and the Ministry of Education plans for a similar number.

The key to widening Japan's basic research role and opening the doors to foreigners, he says, is to increase government spending. Basic research, he admits, has been neglected in Japan.

"We criticise ourselves for not spending enough on basic research. So our goal for the future is to spend more on this and this is a goal at the Cabinet level," he says.

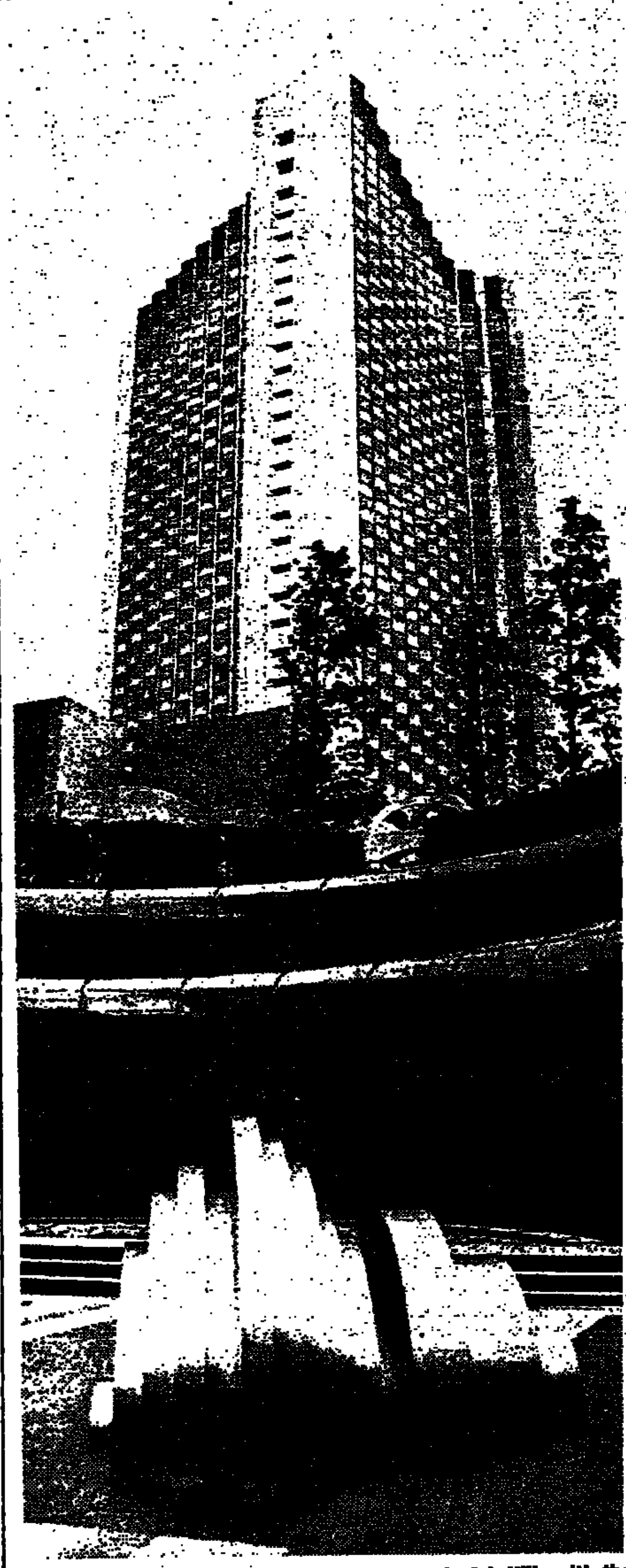
Government officials, however, were, before fairly vague when asked about their goals for Japan's basic research efforts. A few years ago, Prime Minister Yasuhiro Nakasone rolled out something called the Human Frontier Science Programme, saying that trillions of yen would be spent on this basic research effort over the next several years.

Mr Ito says, however, that the programme's current annual budget is only Y300m, only enough for a feasibility study. But that study is being formed with the aid of foreign scholars, with the third meeting of the study group held in Tokyo earlier this year.

The goals of the programme, he says, are to "try to find the secrets of how the human body actually functions." The results will be shared with all nations. It could be many years, however, before such a programme moves into high gear.

In the meantime, it is corporate Japan that continues to do most of the running in R&D.

Carla Rapoport



A striking sight in Tokyo: the amphitheatre in Ark Hills with the ANA hotel behind

Profile: Matsushita

Proud to be in Europe

IT IS not without a touch of pride that Mr Takeo Matsumura, assistant director of Matsushita's video recorder division informs visitors to his head office in Osaka, that his company's German unit is a member of the West German industry association.

For him that membership is positive proof of the way in which Matsushita has integrated its video tape recorder (VTR) production into West Germany's own industry, and become, long before the advent of the unified European market in 1992, a European insider.

In so doing it has managed not only to evade protectionist critics in Europe, but also to achieve economies of scale in the manufacture of a technologically mature product, thus clearing the decks for further technological advance at home.

Some 60 to 65 per cent of the VTRs that Matsushita sells on the European market are now made in Europe, and their local content is around 70 per cent, way above the 40 per cent demanded by the European Commission from companies seeking to avoid charges of component dumping.

At some time in the future Matsushita might consider using its West German VTR operations to begin production for markets outside Europe, Mr Matsumura says.

The history of its European ventures goes back five years to 1983 when Matsushita first established a co-operation agreement with the German company of Robert Bosch for the production of VTRs.

But it quickly found that simply shipping components from Japan to Europe did not allow for technology transfer and sufficiently deep collaboration. So it struck a second agreement, this time with Grundig, to make head cylinders for VTR decks. This is a capital-intensive process which requires a high output. Grundig was able to make use of Matsushita technology to supply its own needs as well as those of the Japanese company.

Matushita now operates an intricate system whereby its own 100 per cent subsidiary in Peine, West Germany, buys head cylinders from Grundig. It uses these components in its own mechanism assembly, selling the mechanisms back to Grundig, to its joint venture with Robert Bosch and to its own final VTR assembly plants in France and Spain.

This has given it a deep involvement in and with European industry. "We could have done it all ourselves, but by collaborating with European manufacturers, we thought there would be the basis of future collaboration in further expanding areas," Mr Matsumura says.

The emphasis on collaboration should stand Matushita in good stead for the looming unification of the European market in 1992.

Though Japanese companies have little say in the kind of standards that are being written for this market, Matushita's European partners do have some lobbying power. Besides, adds Mr Matsumura, technical co-operation is a surer route to establishing market presence than the installation of Japanese-owned component companies since that is likely to cause friction with European component suppliers.

The strength of the Yen has made little economic impact on the company's European operations since the Japanese currency has appreciated much less against European currencies than against the dollar. Labour costs are much the same in West Germany as in Japan, although it is easier to run a two-shift operation in Europe than it is in Japan.

Nor has the transfer of production to Europe led to what the Japanese call a "hollowing out" of the parent company. It has allowed Matshushita Electric in Japan to concentrate on development of the next generation of products such as the video-camera recorder.

This is a much more complex piece of equipment, requiring more than 3,000 components compared with 2,000 in a standard VTR. The manufacturing process is more expensive, but the product sells at a much higher price and the value-added, which has become all important for Japanese companies is greater than on traditional lines such as VTRs.

Peter Montagnon

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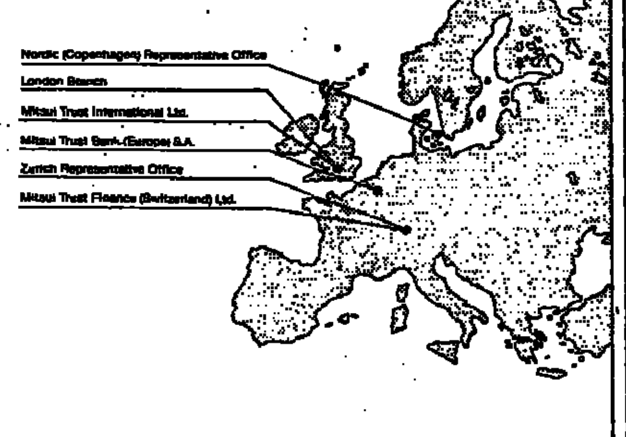

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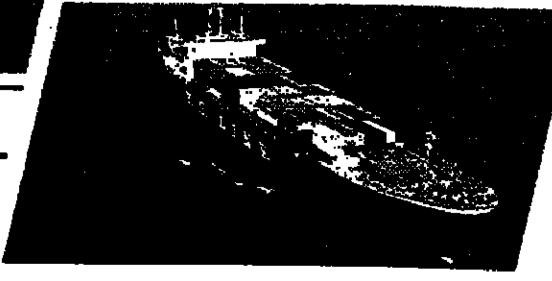

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Women's roles

Undoing the rules and myths

Eiko Shinotsuka: pessimistic about the prospects

OF ALL the adjustments taking place in Japan, those concerned with the roles of women may be the most difficult to cope with.

Even at the simplest level, it is no longer clear what will happen in Japan when a man and a woman meet trying to go through a doorway at the same time. When it comes to more complex social and work interactions, confusion is building up rapidly.

Historically, women in Japan have had very clearly-defined positions in society, giving them immense power within the family but reducing them to a totally inferior role in public, symbolised by the requirement that they walk three paces behind their husbands.

Such a simple system, whatever its merits or faults, is no longer possible in a sophisticated industrialised society, especially one that has endorsed, at least in law, the notion of equality of the sexes.

However, the process of undoing the myriad regulations, customs and myths which circumscribe womens' roles in Japanese society is proving exceptionally difficult.

As elsewhere, a large proportion of men resist moves towards women's equality. More suprisingly, a clear majority of women in Japan, especially those outside the big cities, still remains opposed to the upsetting of traditional patterns, according to Ms Eiko Shinotsuka, Associate Professor of Economics at Ochanomizu Women's University in Tokyo.

Prof. Shinotsuka is pessimistic about the prospects for improving the social environment for women. She doubts that there would even be be a suffragette movement in Japan today if women had not been granted the vote in the constitution imposed by the US occupation forces in 1947.

It would be wrong to suggest that it has been impossible for women to advance to leading roles in Japanese society.

There are enough Japanese women who have achieved distinction in business, scholarship and public affairs. Among them is the current leader of the largest opposition party in the national parliament, demonstrating that a woman who was truly determined to make her way in the world could do it, even 20 years ago.

However, the price has been high, both in terms of the extra effort required and the social disapproval. The well-known woman president of a removal company complained recently about how bored she has become with people who persist in making sarcastic comments to her husband, also in business, about her success.

Ms Takako Doi, the leader of the Japan Socialist Party, faces occasional insinuations about her sexual tendencies. The landmark event in attempting to widen the possibilities for women in Japan was the passing of an Equal Opportunities Act in the National Parliament in 1985.

The law was passed just in time to fall within the United Nations' women's decade and in the teeth of strong opposition from employers. The employers' interests in this matter became clear a few years ago in a study of the relative flexibility of labour markets in various industrialised countries.

Despite its famous lifetime employment system, Japan emerged as the country with the most flexible labour market. The reason is that women are used as the buffer labour stock in Japanese industry and commerce.

Women are expected to work at mindless jobs for a few years in their twenties, mainly with a view to catching a husband, and then are meant to retire and have children.

Labour turnover among women is so high that companies in many sectors can quickly adjust staff levels to changes in market conditions without even having to resort to lay-offs or redundancies. Women are generally not invited to join the management streams and they are not offered lifetime employment.

Employers could always justify this double standard because the law, acting in defence of the family interest, severely limited the amount of overtime that women could work and prohibited them from working after 10pm.

The Equal Opportunities Law eliminated the restrictions on female working hours for management level positions, but otherwise did not require employers to do anything, it merely recommends.

There are no penalties for those who choose not to go along with its provisions. According to a recent survey carried out by the Tokyo Metropolitan Government among 1,000 companies with more than 30 employees, 15 per cent still hire women on terms different from those applied to men.

They pay women less than men doing the same jobs and require women to retire at an earlier age than men.

Women filled only 3.5 per cent of the management positions in the companies surveyed. The one sector in which women have made significant progress is the retail trade, although this is to some extent the result of retailers making a virtue out of necessity.

In the Japanese pantheon of esteemed employers, retail houses figure rather low, well below manufacturers, banks and securities houses. Consequently, few of the best and brightest males go into the retail trade.

The big department store groups, a few years ago recognised their plight and so began to promote equal opportunity in the hope of attracting the best and brightest females.

The huge Seibu group, which pioneered in this area, now counts 250 women among its 2,300 management corps. The group offers extended maternity leave, a guarantee of a job when the woman returns to work and, near their main store in Tokyo, a daycare centre.

Such is Seibu's reputation that 4,000 of the roughly 100,000 women graduating from Japanese universities each year apply for jobs there.

Mr Kazuo Ido, managing director of Seibu Department Stores, says the programme has been successful in a number of ways, including improving management quality, improving morale of the largely female workforce, and in promoting the image of Seibu among women consumers who form a majority of the group's customers.

Like Prof. Shinotsuka, he believes the key to the further promotion of women's interests lies in changing management attitudes rather than in more action on the legal front. He says Seibu directors, from the chairman down, tirelessly promote the idea of non-discrimination, trying to overcome male prejudices within the organisation.

His only complaint about the legal framework is that Japanese law allows only two types of employment contracts – lifetime and one year. But he recognises that there would be widespread abuses by employers if they had the opportunity to tie people to, say, 10-year contracts and then sack them.

Ms Shinotsuka is adamant that lifetime employment must be preserved, and that employers must be pressured to offer it to women as well as men. She opposes any more efforts at the moment to legislate the promotion of women's interests out of fear that it would encounter such strong opposition as to be counterproductive.

The other main pressure for change is coming from young people. For example, employers report that many young male employees are unenthusiastic about the traditional evening socialising with colleagues, preferring to be home with their families.

Also, young couples are beginning to eschew the traditional words for each other (*shujin*, meaning lord, *kanai*, meaning in the home) in favour of more egalitarian terms. But there is still a long way to go.

Ian Rodger

Carla Rapoport on the pressures of working life

Dedication to the job

THE WONDER of modern Japan is the continued dedication of its workers, in the face of the country's increasing wealth to undertake a dreadful, daily journey to their jobs and work, for 10 to 12 hours for a salary well below what they would earn at a comparable US or European company.

Why do they do it? Even the workers themselves do not know. One can only assume it is because Japan is not a society of individuals, each seeking his own advancement, or individual glory. It is still a fairly cohesive society where the individual rarely questions his or her lot.

Phrases like "the grass is greener on the other side" or "one can never be too rich or too thin" do not exist in Japanese.

Instead, the Japanese pepper their conversation with phrases like "try your best" or "perseverance." The Japanese word for overtime, for example, literally means unfinished work.

But perhaps younger workers, those who have been on holiday or travelled abroad, are questioning this kind of Japanese-style dedication to job and company.

After all, not so many years ago, working class people in Europe also accepted their living standards and did not try to change them.

So far, however, there is little to suggest that young Japanese workers have changed their expectations from those of their parents. Mr Takashi Hiyashi, executive director of the Japan Federation of Computer Workers Union, for example, is quick to point out that the young, well-educated men and women who work in Japan's computer industry are overworked.

But even Mr Hiyashi says that the overwork is due to the lack of trained software engineers and programmers, not bad management.

Mr Kunio Yamamoto, 29, a university graduate, discussed the problem of overwork from his point of view. He works in a company producing robotic software, an area where Japan has the unchallenged lead. Last year, business was so good he was asked to work 100 extra hours a month, on average.

One month, his overtime totalled 280 hours, or more than nine hours a day on top of his normal working hours. His income, including overtime payments, averaged just Y380,000 a month.

At this salary, he could afford to live in a 40sq metre apartment, just one and a half hours' drive from his office, or two hours by train. He drives a relatively new Mazda, but has not taken a holiday in recent years.

In fact, some months, he saw his wife only two or three times a week because he worked until 3 am, and then went to sleep in a company dormitory.

What does his wife say about this? "She's not happy, but she has given up complaining," he says with a laugh. Why does he do it? "I just have to do it. It's mandatory. I do it on guts."

When asked about the Ministry of Labour's intention to cut working hours, Mr Yamamoto just smiles. "They are not sincere. It will not be achieved.

"Because Japan has international critics, on the surface, they (Ministry officials) say they will reduce working hours. But for really demanding fields, they make exceptions. The Ministry even says the company doesn't have to pay extra for overtime."

His overtime pay is 1.3 times his regular hourly salary, and 1.5 times for holidays and working after 10pm. Does he expect more. "I know my company's situation and I don't think I could expect more."

Should the company hire more workers? "Yes. In fact they are trying. But even if we have more workers, the situation will not change. The business is growing so fast."

Does he work hard out of a sense of patriotism to Japan? "To my company, I have patriotism," says the young worker. "But no, I don't have much patriotism to my country. I don't have a sense in my daily life of being Japanese."

The young computer worker is aware that his counterparts in other countries have a better standard of living. "I'd like my children to live like Western people and I hope to achieve it myself," he says.

In the meantime, however, he cannot begin to think about becoming a father. He simply does not have the time.

Japan's labour history has taken a big step

Unions amalgamate

Workers demand more pay at the Keidanren Kaikan building, Tokyo

JAPANESE unions still remain in the shadows, rarely exercising any great influence on politics, social affairs, or even working conditions in Japan.

Nonetheless, late last year, an important step took place in the Japanese labour union, one which many analysts say is extremely important within Japanese labour history. On November 20, 62 unions joined hands to create Rengo, a unification of more than 5.5m unionised workers.

Rengo now covers just under half of Japan's union members, who in total cover about 28 per cent of the world force. Although Rengo has yet to voice any support for any particular political party, its leaders recognise that a viable opposition party to the ruling Liberal Democratic Party is extremely desirable for Japan.

In the inaugural issue of the new union's monthly magazine, Mr Toshifumi Tateyama, Rengo president, wrote: "The establishment of Rengo was not merely aimed at unifying Japan's labour movement.

"Its real purpose is to use its unified power as a weapon in the pursuit of the labour movement's goals. (These are) the improvement of the Japanese workers' quality of life, which has failed to keep pace with the nation's economic growth."

Despite these strong words, however, labour union officials face an uphill battle in Japan. Regardless of pay and conditions, most workers automatically give their loyalty to their company, not their union.

Further, the labour movement to date has had precious little influence on the policies and programmes of the powerful LDP.

For example, despite the horrendous hours worked by young people in the computer industry, only 4,000 out of about 100,000 computer software workers are unionised.

And even though the Government is officially promoting shorter working hours for Japanese labourers, it admits it has no powers to enforce such rules.

"We are making a mood which we hope will help to reduce hours, just by giving pamphlets and leaflets and holding forums and symposium. If a company doesn't reduce working hours, there is no punishment," says Mr Ukio Hamada, an official at the Ministry of Labour, Wage and Welfare department.

Rengo faces a tough task ahead as it tries to educate workers that it can help them.

C.R.

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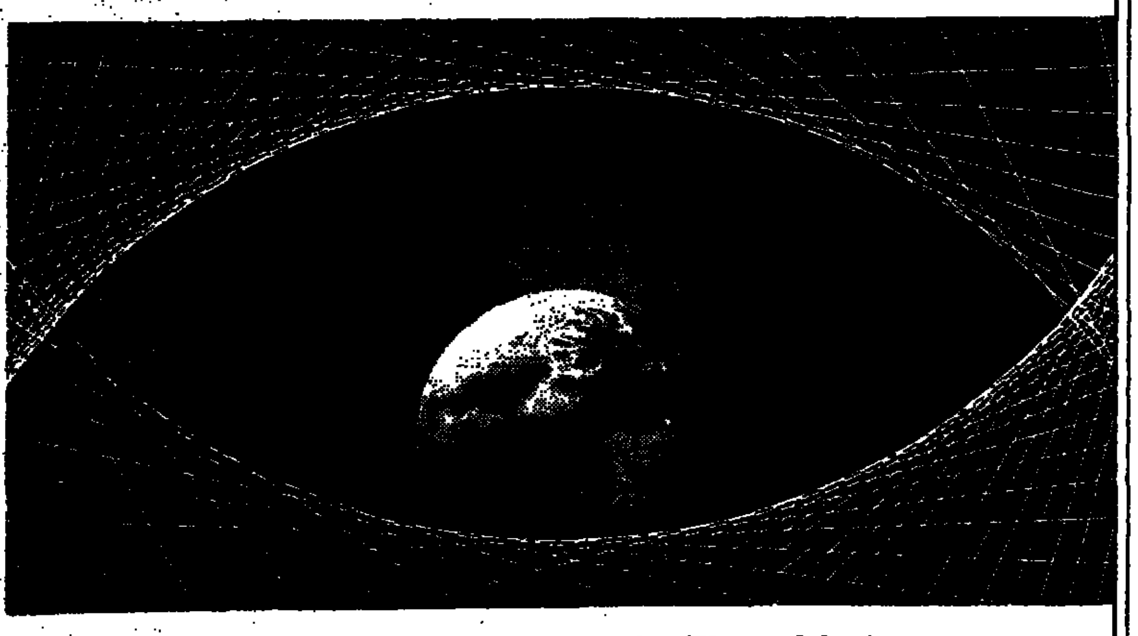

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International moves have forced a fierce debate on agriculture support. **Peter Montagnon** explains

Powerful farm lobby on the defensive

JAPAN HAS so far taken a back seat in the international debate on world farm reform. It delayed producing proposals of its own to the General Agreement on Tariffs and Trade until late last year and has been content to yield centre stage to the US and the European Community who are slogging it out between themselves.

Yet the very existence of the farm reform debate at an international level, alongside trade pressures applied by the US and the worldwide trend towards economic deregulation, has finally begun to call into question its long tradition of government support for farmers.

Behind the scenes, a heated debate over farm policy has developed in Japan in which the powerful farm lobby is on the defensive. For the government of Prime Minister Noboru Takeshita, the issue is a delicate one, however, since Japan's electoral boundaries still give farmers a large say in the policies of the ruling Liberal Democratic Party.

Japan's farm structure goes back to the post-war McArthur land reform when land was realocated in small parcels to even out the distribution of wealth and free small farmers from the domination of large rural landlords.

As a result most farms are very small. Their average size is just 1.2 hectares compared with over 100 in the US.

Production is costly and inefficient and farmers have to rely on government subsidy, high support prices which are passed on to consumers and, increasingly, on part-time employment outside farming for their survival.

Conventional economics would dictate that Japan can never aspire to competitive advantage with such a structure. Therefore farming should be rationalised and resources diverted towards the more successful manufacturing sector.

The country which has abundant financial resources to pay for them, should rely on cheap imports of food from other more efficient producers such as Australia and the US.

However, the farm lobby itself clings with visceral determination to its own perception of the key role that farmers play in Japanese society. In a country which is already only 31 per cent self-sufficient in food, the promotion of food production is seen as essential to national security.

It is not just a question of economic arguments, says Mr Teruka Ishikura of the Nokyo Agriculture Cooperative. "If we liberalise imports, our agriculture will collapse. The supply of food for the people of the nation should be the guiding principle."

Japan has already been successfully taken to the Gatt by the US over a long list of farm products and, under US pressure last month finally agreed to open its domestic market gradually to beef and citrus imports. But, by far the deepest emotions in the farm debate are aroused over the question of rice, Japan's staple food whose import is still banned.

Japanese consumers pay six times the world price for their rice, and following pressure from consumers the Government last year agreed to a 6 per cent cut in the support price, the first such fall since the support price system was introduced after the 1939-45 War.

Yet, while they reluctantly acknowledge that further such falls are almost certainly in store, Japanese farmers are quick to spring to the defence of high food prices in Japan which they see as worth bearing by consumers in the interest of food security.

Commenting on the rice market, Mr Kosuke Hori, an LDP Diet Member from the rural Saga prefecture on Kyushu Island, argues that the present system ensures stability of both supply and prices, albeit with the latter at a very high level.

That is the kind of security that the consumer wants, he says, adding that dependence on imports would mean supplies becoming uncertain and subject to wide price fluctuations. In the long term Japan could even find itself without the foreign exchange to pay for essential imports of food.

To Japan's beleaguered trading partners, such national security arguments seem little short of preposterous, especially when Mr Hori goes on to warn that an end to rice farming in Japan would cause widespread flooding in cities as water from abandoned paddy fields in the mountains filled the country's rivers to bursting point.

Yet the point about Mr Hori's comments is not so much their intellectual content as the vehemence with which they are expressed. Japan's farmers feel they are entitled to special consideration.

The terrain is difficult: some 80 per cent of the country is mountainous and less than 15 per cent of it can be cultivated. Besides the country is already net food importer.

It plays no part in export subsidy wars like those engaged in by the US and EC which have undermined world trade, and there is no reason why it should not be left to its own devices. This, incidentally, was the basic philosophy behind Japan's proposals to the Gatt when they were finally unveiled last December.

The internal argument is not one-sided, however. Arguing in favour of farm reform is the Keidanren, the Japanese employers federation whose managing director, Mr Kozo Uchida, sees three main grounds for liberalisation.

The first is the cost to the taxpayer. Although farm subsidies are dropping, they still account for some 60 per cent of the Y3,170bn budget of the Farm Ministry.

Second, food prices are partly responsible for the high cost of living in Japan and an impediment to economic efficiency; and third, farm protection aggravates trade tensions with the rest of the world which are bad for the Japanese economy as a whole.

Mr Uchida dismisses the dire warnings of the farm lobby about collapse in the event of liberalisation. The sector could absorb a gradual process of reform, he says.

"Some parts will be forced to disappear, but if Japanese agriculture makes efforts to strengthen productivity it could become stronger and internationally competitive."

Somewhere between these opposing views Japan is now groping for a compromise, but already its farmers are feeling the effects of change.

The number of farm households has dropped to 4.3m from 6.1m in 1960. Only one in seven of them derive all their income from farming. In some parts of the country farms are being combined and run in larger units to improve efficiency.

Nokyo's Mr Ishikura says these farms can produce rice at half the cost incurred by traditional small farms.

But such change is painful and young people are leaving the land. Japanese farmers may be willing to bow to consumer pressure to produce at lower cost. Indeed some commentators have suggested that this may be a deliberate ploy to pre-empt more serious pressure for the rice market to be opened to imports.

Says Mr Ishikura: "That is something we should never, never allow to happen."

Peter Montagnon

Small farmers

Future is threatened

NEXT TO the village of Tsuguri in the rice-growing Niigata prefecture of West Central Honshu is a community that consists entirely of old people.

According to Mr Yukio Ozaki, who grows rice and raises dairy cattle on his Tsuguri farm, the land has fallen into rack and ruin. As the older people have given up farming it has become overgrown. Some of them have gone away to live with their children in the city.

The paddy fields are in such poor condition it would be difficult even to give them away.

It is a poignant illustration of the pressures that are now intruding on to farming communities in the fertile and tranquil plains between the mountains and the coast of the Japan Sea. The idyll is starting to pall for Japan's once-pampered farmers.

As government support for Japan's mostly small-time farmers starts to erode, they face difficulty making ends meet. Only one of the 16 households in Tsuguri village is now entirely dependent on the land. Its head, Mr Sadeo Shiotsubo, a jovial 36-year old, is something of a local bigshot.

Altogether he farms 10 hectares, an area one tenth the size of an average US farm but eight times the size of the average Japanese holding.

Mr Shiotsubo, who specialises entirely in rice, inherited three hectares and rents out a further seven scattered around the area from other families who no longer want to work the land.

Last year's 6 per cent cut in the official support price for rice cost him Yen 1m, he says, but he is resigned to further falls. In one sense this does not matter because he wants to buy more land and the price is dropping, but like most farmers he is adamantly opposed to the opening of the domestic market to imports.

"Liberalisation would destroy Japanese agriculture. I don't want them to do it. If the Government took that policy, farmers wouldn't trust them any more. They'll only grow enough rice to feed themselves."

Japanese farm support policies mean consumers pay some six times the world price for the rice they eat every day, but this does not worry Mr Shiotsubo.

"If consumers eat rice three times a day it costs them between Yen 180 and Yen 300," he says. "A cup of coffee costs Yen 300 to Yen 400. So why do they criticise us? We can live without coffee, but we can't live without eating rice."

Near to his farm stands a brand new grain elevator built by the Nokyo Agriculture Co-operative with a 50 per cent subsidy from the Government for the collective use of local households. The farmers themselves would not have been able to build it without government support and Mr Shiotsubo believes that only with such help can farming become more efficient.

It is a question not only of food security but of preserving a way of life that despite its current pressures still has considerable attraction compared with the exhausting grind of the average city office worker.

Mr Shiotsubo works 11 hours a day during the planting season, eight hours at harvest time and just four or five during the summer. During the winter when there is heavy snow, he has little to do.

His neighbour, Mr Ozaki, unusually for this region, is a dairy farmer. He recently got married – to a Chinese girl since the local young women have been among the first to desert the countryside – and had to milk his cows on his wedding night because a friend who was to have done it for him was drunk. But normally in between milking sessions he spends his time roaming the country lanes on his motorcycle.

Mr Shiotsubo doubts whether any of his three children, aged nine to 13 will become farmers. But he knows that other countries have problems with their agriculture too.

He has been to California, met some US farmers and knows about their debts.

"Even in the States I found that some farmers went bankrupt. It must be difficult since their farming is on such a large scale."

Peter Montagnon

Mariko and Sadeo Shiotsubo (centre and right) eat lunch with Sadeo's mother, also a farmer

KEY FACTS

- Population .122.45m (April,1988)
- Area .... 377,708 sq km.
- GNP per capita .... Y2.817m.
- GDP Y311,720.1bn
- Trade figures:
  - Exports $224.6bn
  - Imports $128,2bn
- Current account balance $87bn (1987)
- Structure of merchandise (exports), percentage of total, 1987:

Transport machinery	27.9; (cars, 9.6)
Electric machinery	17.8
Ordinary machinery	19.5
Video cassette recorders and tape recorders	6.2
Steel	5.5
Chemicals	5.1
Other goods	17.6

- Structure of merchandise (imports), percentage of total, 1987:

Mineral oils	26.2; (oil 13.8)
Foods	15.0
Machinery	12.8
Crude materials	14.7
Chemicals	7.9
Steel and non-ferrous metals	5.4
Various other goods	18.0

- Major categories of exports in 1987, by value in $bn:

Foods	1.54
Textiles	6.91
Chemicals	11.6
Non-metallic mineral products	2.5
Metals	18.0
Ordinary machinery	44.7
Electric machinery	40.8
Communications equipment	7.5
Electronic devices	8.3
Transport machinery	63.9
Automobiles	44.9
Passenger cars ...35.7cBuses	7.3
Scientific instruments	9.4
Tape recorders	8.4
VCRs	5.9

- Major categories of imports in 1987, by value in $bn:

Food	22.3
Meat	3.3
Fruit, vegetables	2.8
Textile materials	2.7
Metallic materials	6.1
Other materials	13.1
Mineral fuels	39.0
Crude oil	20.6
Oil products	6.7
Chemicals	11.8
Machinery	19.1
Automobiles	2.1
Aircraft	1.7
Steel	2.4
Textiles	7.6
Non-ferrous metals	5.6

- Customs cleared exports to the US in 1987: $83.58bn; imports from the US: $31.49bn.
- Debt service as a percentage of GNP 3.1% (1987)
- Average annual rate of growth (1987) 4.4%
- Average annual rate of inflation (1987) 0.1%

Research: Susan Cockerill; and FT Tokyo staff.

Clay Harris on the arguments for a new capital

Tokyo talks of a move

SHOULD Japan move its capital? The question, a perennial debating point, has been given new life by soaring land prices in Tokyo.

Proponents of relocation have put forward a variety of plans, and the issue is being studied by a parliamentary committee. Meanwhile, Tokyo city authorities suggest wearily that they have heard it all before.

"The concentration of functions in Tokyo is much discussed nowadays," says Vice-governor Mr Masatsugu Yokota. "We do not take it so seriously."

Leaving aside the issue of the seat of the monarchy – in Tokyo since the Meiji Restoration 120 years ago – proposals for relocation fall into three categories: moving the Government to an existing city; building a new capital from scratch; or dispersing government functions to one or more sub-capitals.

But that is not the end of the choices available. The real debate begins when possible locations for a new capital are mooted: should relocation be used to promote an under-developed region like Tohuku in north-eastern Honshu, or should it recognise demographic reality with a site somewhere on the densely-populated Tokyo-Osaka axis?

At the heart of the matter is the relationship between Tokyo, increasingly the focus of corporate and financial as well as political power, and the rest of the country.

"Because of this concentration in Tokyo, Japanese culture is now losing its variety," says Mr Taichi Saikaya, a former director of the Bureau of Industrial Location in the Ministry of International Trade and Industry.

"Actually, since the war Tokyo has produced very little new culture, new fashion or new industry. If this concentration continues, there is a danger that other parts of Japan will lose the incentive and the energy to create new things."

As chairman of the special committee for the construction of a new capital set up by the private Social and Economic Congress of Japan, Mr Sakaiya supports creating an entirely new centre for the executive, parliamentary and administrative functions of government.

"We shouldn't talk about location first," says Mr Sakaiya. "When we look at history – Ottawa, Canberra, Washington – they first decided to make the move, then on the location. It's clear that once you make the location decision, the local people will be for it and everyone else will be against it."

The Government, he says, should establish the requirements for the new city and then let ambitious prefectures compete against each other.

For the capital he has in mind, 5,000 hectares (less than 20 square miles) – including room for a new international airport – would be sufficient.

Mr Sakaiya would limit the new seat of Government only to the Diet and government Ministries and supporting services; including newspapers, schools and restaurants.

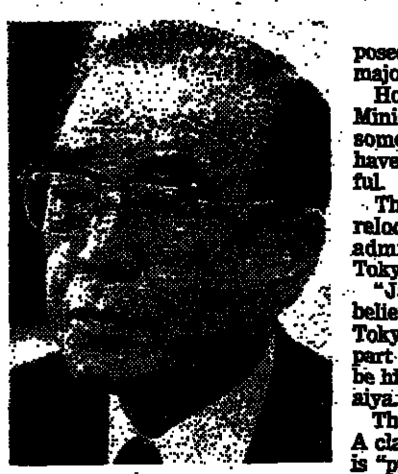
Specifically excluded would be the Bank of Japan, all financial exchanges, any manufacturing industry, and research and technology institutes.

As a result, he forecasts that the families of these essential workers would increase the total initial population to no more than 200,000 people. "Even after 30 years, we expect that to expand only to 300,000."

But how could a city constrained within such limits reduce pressure on the Tokyo area?

The idea is to encourage growth in other existing cities, for example to increase the rate of growth in Osaka to that of Tokyo. This could be achieved by putting the new capital at the centre of a new "linear motor" transport system using magnetic levitation.

Even taking into account the softening effect on Tokyo land prices of a decision to create a new capital, Mr Sakaiya estimates that the Government could pay for the cost of building 20 office blocks in the new city by selling only three of its 20 existing buildings in Kasumigaseki, Tokyo's Whitehall.



Masatsugu Yokota: concentration not a serious issue

Altogether, he believes construction of the Government's part of the new city could be achieved for a net cost of Y2,000bn.

The Argentine Government, he notes wryly, already claims to have financed much of its planned new capital in Patagonia through the $400m profit on the sale of its embassy in Tokyo.

There are much less ambitious proposals to disperse administrative functions to sub-capitals. Supporters often cite the danger posed by Tokyo's susceptibility to major earthquakes.

However, steps to encourage Ministries and agencies to locate some functions outside Tokyo have not been especially successful.

The key problem with partial relocation is that no one ever admits to wanting to leave Tokyo.

"Japanese public officers believe that unless they stay in Tokyo and remain in the central part of the Ministry they will not be highly regarded," says Mr Sakaiya.

This is not without foundation. A classic end to upward mobility is "promotion" to the provinces.

Mr Sakaiya is doubtful about the success of capital projects undertaken primarily for economic stimulus.

"Most of these choices have been failures," he says. On the other hand, new capitals interposed for "co-ordinating" purposes between two regions or population centres – again he cites the US, Canadian and Australian examples – have been more successful.

That is why, despite his strictures about choosing a location too early, Mr Sakaiya favours a site in Kansai, the Osaka-Kyoto-Kobe region.

"The movement to relocate the capital has emerged many times before, the first time in 1964," says Mr Fumio Arai, research director of the Tokyo Metropolitan Government's policy planning office.

"Tokyo thinks it is not appropriate to relocate the capital only because of the soaring price of land." More effective than schemes for a new capital would be a redistribution of power, between levels of government, Mr Arai says.

"Before talking about relocating the capital, authority should be allocated to local governments so they do not have to come up to Tokyo to ask for permission." The argument wins wide support among other local authorities.

The city is doing its best to dampen property speculation by refusing to sell any of its own land. For example, when it moves its main offices in 1991 to a new complex in Shinjuku, one of seven planned urban sub-centres, the prime Marunouchi site of the present City Hall will be redeveloped as a conference complex, but Tokyo will keep a firm hand on the freehold.

But need the capital be moved at all?

By the turn of the century, it is perfectly possible that Tokyo may no longer be Japan's sole capital.

It is much more likely, however, that the Japanese will still bemoan the increasing concentration of population and power in the Tokyo region and earnestly debating possible solutions. And that more and more of them will still be trying to make sure that is exactly where they live and work.

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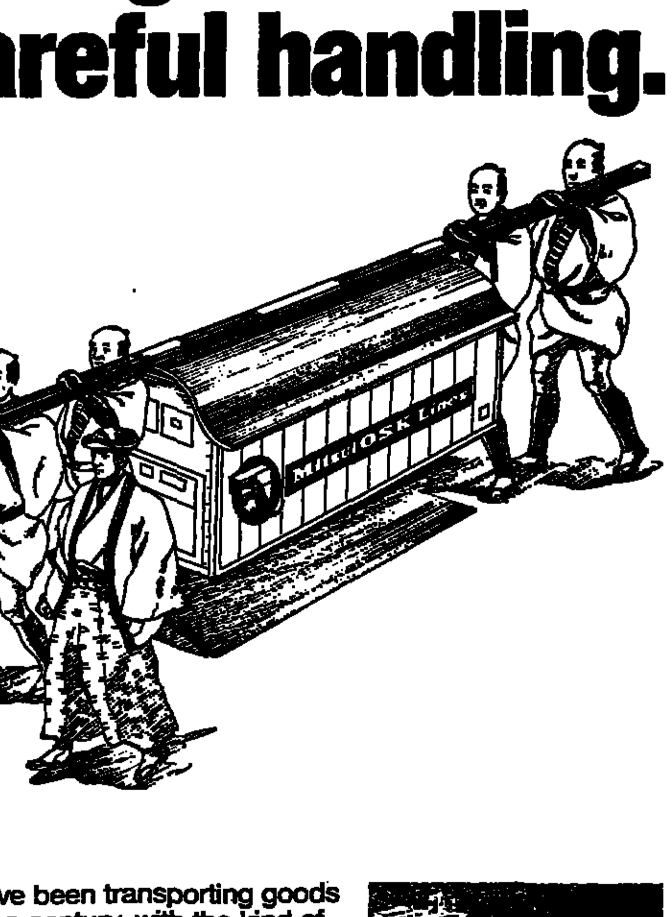

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Seiko Tanaka (left) and Sanae Umemura in class at high school

Education

Pressure on students

SEIKO TANAKA, an 18-year-old who wants to be a graphic designer, cannot wait to finish high school.

She has to study almost 50 hours a week. Every day after school she sets out at 4pm for evening classes and rarely gets back before 9.30pm. She has no time for sport or parties or going out.

In a few months, life will be utterly different. If she gets to university as she hopes, Seiko will be able to study as much or as little as she likes, take a part-time job, or do almost nothing with little risk of failing the course.

The contrast between school and university life in Japan could not be greater. Winning a place at a top university is all-important to any career – the content of subsequent university studies almost irrelevant.

The pressures which have created Japan's education system go far beyond elite schools to institutions like Kamata Senior High School, a neighbourhood high school for 16 to 18-year-olds, where Seiko is a pupil. It stands in surburban Tokyo on a housing estate overlooked by pink and grey concrete blocks of flats.

Seiko would prefer to do more art at day school "because *juku* (evening school) is so far away." But it is impossible because the timetable is virtually filled with compulsory subjects – including Japanese language, English, maths and science. Seiko can do art two hours a week.

Seiko's friend, Sanae Umemura is one of the 30 or so students each year who plan to go straight to work after leaving school. For Sanae this is anything but a soft option.

She says she does not want to go to college or university because "you see college students on television. They don't do anything except waste time and money. I want to start working as early as possible."

Sanae is doing a correspondence course in bookkeeping to improve her chances of getting work in a local company's accounts office.

The girls' friend, Tsuyoshi Kusama, who wants to study engineering at a technical college, does not go to *juku*. He likes building models and complains that there is no time for craft lessons at school.

He says he spends his evenings watching television – "I don't watch anything in particular, I just sit in front of it."

The girls hardly have time for television. Seiko is busy drawing when she is not at school. Sanae plays the piano and flute and belongs to a brass band.

On Sundays, the two go shopping sometimes with friends or with their mothers. "Usually we just *look*," Sanae says.

Koji Okada plays baseball, travelling half an hour by train to sports grounds along the Tama River, one of the few nearby areas of open space.

None of the four goes out in the evenings for a drink with friends or to the cinema. They are keen on rock bands, Western and Japanese, but do not go to concerts. School dominates their lives.

Their attitudes reflect the atmosphere of the classrooms at Kamata. Fifty or so students sit at small desks facing the blackboard – boys and girls in alternate ranks. Much of the time is spent making notes.

The students are earnest, and anxious to please, but lack self-confidence compared with British teenagers. Nobody is "cheeky" to the teachers.

Yuiki Nishimura, Toshihiro Ijima, and Noboyuki Matsunaga might be from a different world. Aged 22 and 23, they are final students at Sophia University, one of the best in Tokyo. Unlike the school students, they have opinions and are not afraid to voice them. They worry about Japan, America, and about having enough money to spend.

Noboyuki spends three to four hours a week studying French literature and the rest of his time working – writing Japanese sub-titles on foreign films. Each project takes three days and earns him Y50,000. He plans to carry on with this job next year, or possibly become a teacher.

He is toying with writing a novel about Japanese men – "Western men enjoy their lives but Japanese men feel inferior to American people," he says.

Toshihiro, an education student, wants to join a music publishing company. His real love is playing classical guitar. He came third last year in a nationwide student competition but finds little opportunity to play except at home.

"After the competition, I played once in a shop," he says wistfully. With just 12 hours of study, including homework, a week, and a part-time job delivering furniture, Toshihiro has plenty of time to go to cafes, bars and the cinema.

"I have lots of free time to walk around, earn some money and to spend it," he says."

Yuiki is more conscientious than his friends – mainly because he goes to evening classes in English, in addition to studying German literature. He has become very disillusioned by prospective employers who have told him that the German language is no advantage in getting a job – though English is.

None of the three thinks he has learnt anything much from his studies. But, if the comparison with the pupils of Kamata High School is anything to go by, they have gained in self-assurance and learned quite a lot about themselves.

Stefan Wagstyl

Youth

A generation with plenty

JAPAN'S young people are a lazy, self-centred and narcissistic lot compared to their hardworking parents who fired the country's post-war economic resurgence – at least, that is one strong current of conventional wisdom in Japan at present.

Evidence of this trend among the young is easy to find on the streets and in the media.

An example of the facilities for the young, pampered male is shown by a hospital specialising in cosmetic surgery which recently opened a new branch for men in Tokyo, 16 months ago. It sees 10 to 15 men a day, most of them young. Students can pay on the instalment plan.

A university professor complained recently, in print, that young Japanese women are afraid of hard work. As a result, farmer and shopkeeper bridegrooms are going begging. He quotes a matchmaker as saying young women balk at being the brides of a proprietor of a small business, even though he offers financial security, because, "a family business just is not *chic*. Many women now have college degrees; they cringe at the thought of serving customers."

And then there is the irritation daily to millions of Tokyo commuters. Young people spread themselves on subway benches unaware that there could be space for others, older people complain.

Surveys in this data–happy society continually demonstrate that the attitudes of the young in Japan are very different from those of their elders.

The Japanese have also coined a name for the flashiest of their youth – the *shinjinrui*, or "new human beings" – born into the country's material comfort after 1960. Many believe that when the new breed reaches middle age, their actions will be little different from those of their parents.

"I wouldn't get too excited about the *shinjinrui*," says Merry White, a Boston University sociologist and author of *The Japanese Educational Challenge*.

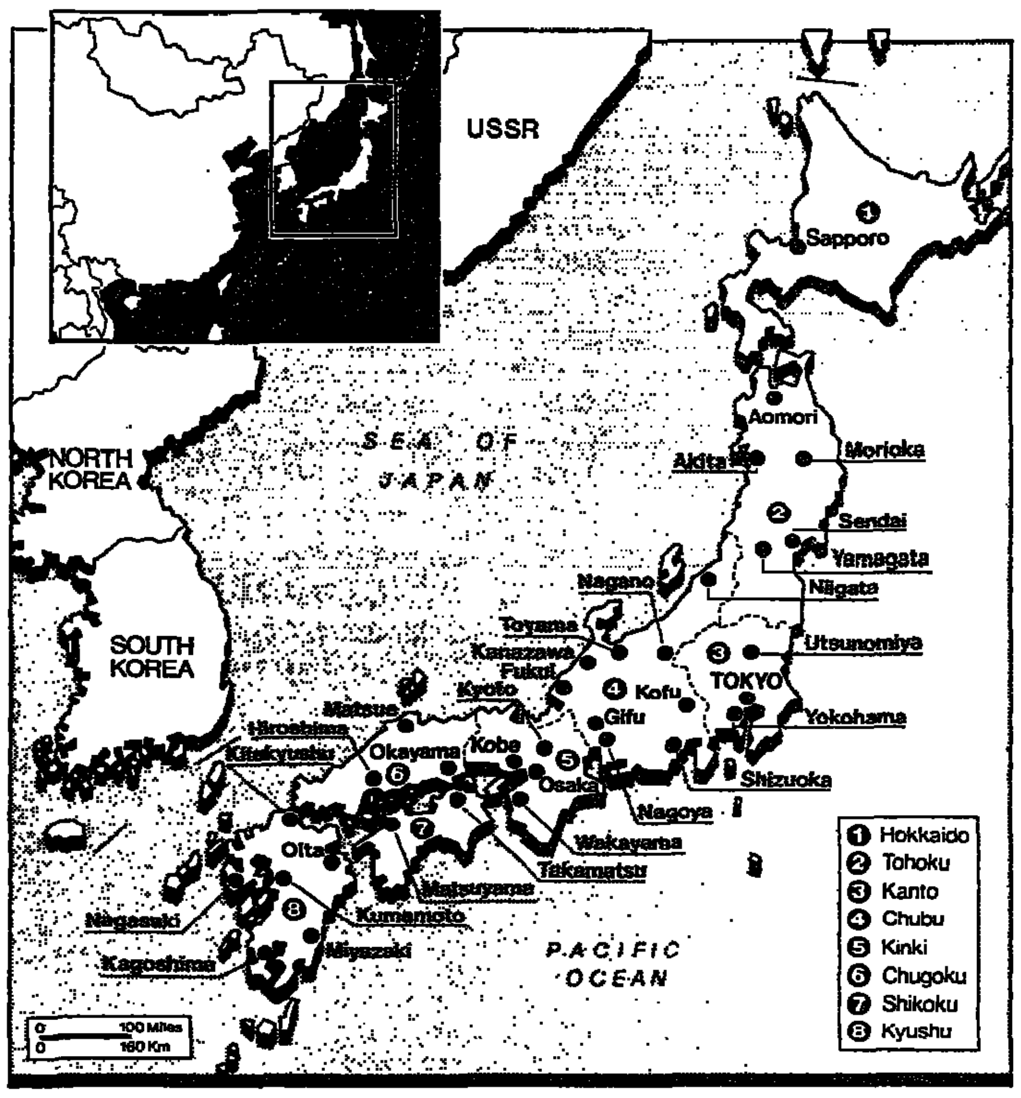
She is in Tokyo researching a new book on Japanese youth. "Attitude-polls are one thing – and behaviour is another. The Japanese have a very clear understanding of *tatemai*, the expected or the ideal, and honour, the reality. They understand they can live on both planes without being hypocritical."

The ideal for Japanese youth appears to be a lifestyle focused on self and filled with money and time enough for the clothes, travel and gadgets thought to glorify the individual.

Japanese children and young adults, cosseted by parents who remember the post-war sacrifices, are rich in possessions. One recent survey showed that 90 per cent of male college students own a colour TV set; more than half, a video cassette recorder; over a third, a car.

The only limit on possessions appears to be the size of the student's bedroom.

Parents and children used to sleep together in the same room. Now nearly a half of the country's children have their own rooms.



The comfort appears to be creating a generation pleased by the notion of individuality. When the Prime Minister's Office surveyed 3,000 people, 15 and over in 1986, 46 per cent said they wanted to reflect their own individuality in their lifestyles.

Only 36.5 per cent rejected the idea in favour of more traditional identification with society and the group.

Attitudes toward work, too, are changing. When 2,390 college seniors were surveyed this year by the Recruit Research Co, 60 per cent predicted that they will not stay with the same company throughout their careers.

This is an expectation almost revolutionary in this country of long hours, company loyalty and lifetime employment.

In addition, only 14.3 per cent of males surveyed said work will get priority over family, the lowest figure in 10 years of surveying.

"I do feel there is a great generation gap between my parents and me," says Naoko Onaka, 23, a management trainee at Fuji Bank.

"Our parents worked very hard to make a good living. Our generation does not want to work all its life to buy a house. "We are seeking the feeling of fulfillment inside ourselves." At least in the short term, such attitudes should serve national policy.

As Japan's international markets shrink and it focuses on domestic ones, Japanese youth should welcome a five-day working week when six is customary for two-thirds of the population, and be more than willing to spend energetically for this week's trendiest gadget.

Indeed, an entire sector of the publishing industry flourishes to serve youth's passion for fashion. Magazines such as Checkmate, aimed at males aged 18 to 20 and selling more than 300,000 copies monthly, cater to narrowly-defined age and sex groups and circulates widely.

But the new attitudes pose a threat to the nation, too. Japan's recovery from the 1939-45 World War was founded on the ability of its people to act as a single unit. Many believe a similar single-mindedness may be needed to conquer the growing problems of success.

Some studies show that Japanese young people are, in fact, acting on their attitudes when it comes to decisions about careers.

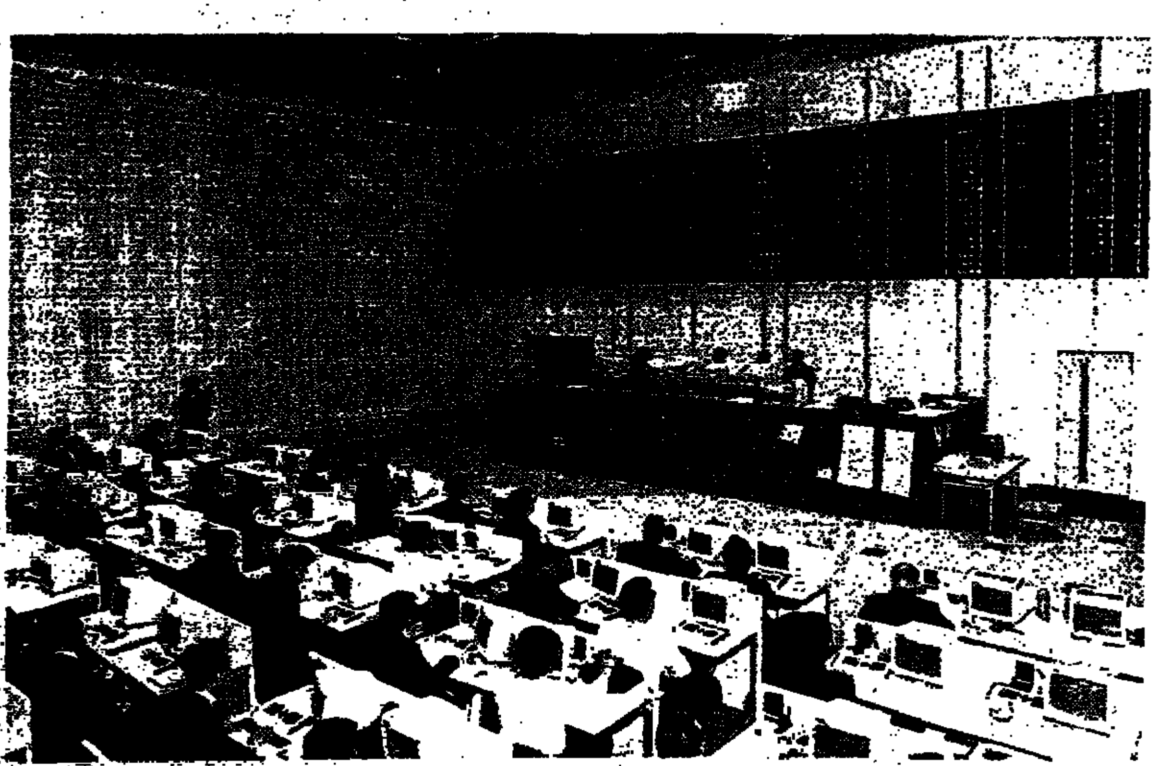
Applications for civil service jobs – long a prestige way to serve the nation – are down significantly as young people turn to private industry.

A 1986 survey of 20,000 company employees under 30 by Japan's Labor Ministry found that 27 per cent of young workers said they had already changed jobs once

"The economy is going to determine what happens to these young people, not their attitudes," says Merry White.

Sandra Earley

THE ART OF KNOW HOW AND KNOW WHO



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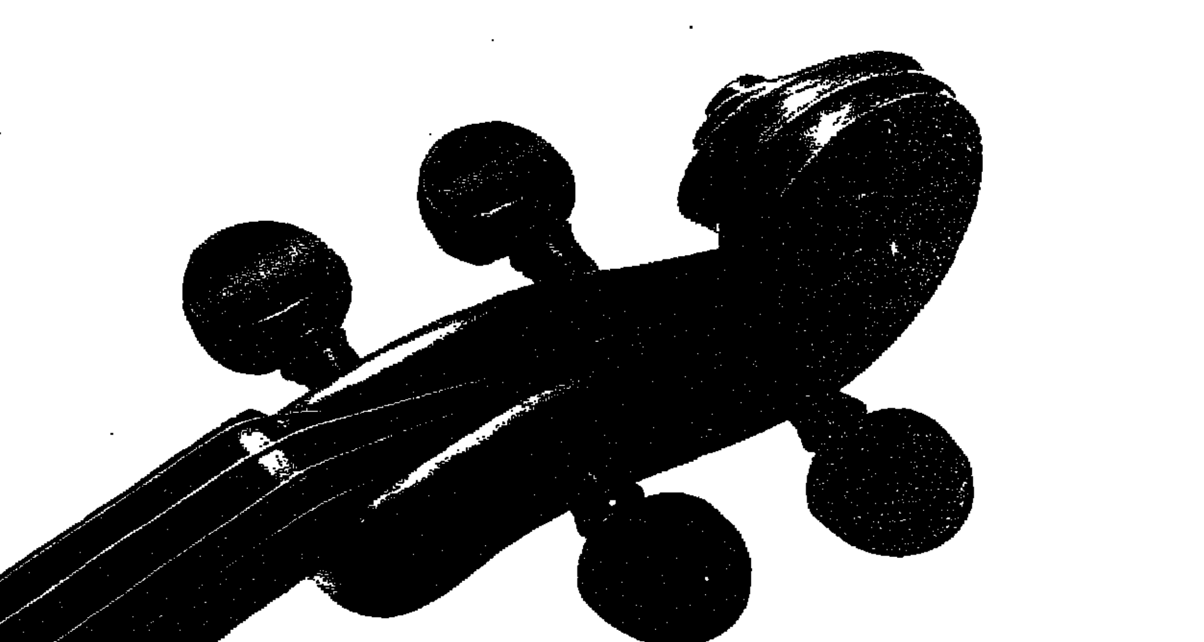

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Foreign travel

More spend abroad

EVERY day outside the American Embassy in downtown Tokyo a long queue of mostly young female Japanese, clutching their red passports and visa applications wait patiently as part of Japan's latest export, its yen-laden tourists.

Hawaii is still the top destination for the Japanese tourist – 32 per cent of whom are between the ages of 20 and 35, and 90 per cent are honeymooners. Australia is the favourite newlyweds' destination.

However, only 5 per cent (6.85m people) of Japanese people go abroad for their holidays – compared with 38 per cent of all Britons. But the market is growing fast – up by 24 per cent last year over 1986.

The Government is pleased. It wants to encourage its citizens to travel. It reckons this will lessen trade friction and promote international harmony.

But tourists can also cause friction and disharmony. A few months ago the Vatican complained that groups of young Japanese tourists were laughing loudly during Mass and munching pizza as they trooped through the Basilica.

The Pope was said to be especially alarmed by their propensity for taking group photos in the Basilica – some of which involved sitting on St Peter and making rude signs behind his head. Japan Airlines' (JAL) travel company in Rome said it had "issued warnings time and time again" to Japanese tourists about what Archbishop Lino Zanini calls their "eccentric behaviour."

The Archbishop finally issued a decree last March banning flash photography, talking and "other inappropriate behaviour" in the Basilica.

The behaviour of young Japanese abroad worries the Government not least because, new to the game, it does see each tourist as an ambassador at large – and tourism as an easy way to eat into the trade surplus.

There are of course several government plans to increase tourism. The Ten Million Plan which would almost double the number of Japanese tourists in five years comes courtesy of the Ministry of Transport.

The MOT stands to gain out of the Y351,000 spent per person on each five-day overseas trip: half goes on the air fare. One third of all overseas trips are package tours and both the carrier and the hotel are likely to be Japanese-owned.

Business is being encouraged to do its bit. Companies can now gain tax exemption if they sponsor, by paying 50 per cent of the cost as an employee benefit, an overseas trip for their employees – at least half of whom must go.

And there are mumblings in the corridors of Nagatcho (Japan's Whitehall) that Japanese companies should be encouraged to set up holiday villas overseas for employees.

Some Japanese companies already provide cheap loans to their young soon-to-be employees for overseas travel before they join the company.

This is all part of the "internationalisation" drive (ie "Japan must become part of the international community"), to be achieved by contact with anything foreign – people, places, languages, cans of fruit with funny labels, Louis Vuitton bags. Last year the Japanese spent \$10.7bn on travelling abroad, but again, because of the high proportion of package tours much of this money comes back to Japan.

With each person on average taking in excess of Y120,000 in spending money, the Japanese are now the world's biggest big spenders. And tourism is one area where Japan runs a deficit – amounting to \$8.6bn last year.

Almost 40 per cent of Japanese travelling abroad are now women. Young women in their 20s account for almost 20 per cent of the total market.

The proportion of women travelling abroad has almost trebled over the last 10 years compared with the number of men. The British Tourist Authority found that Japanese women saw Britain as "too masculine" – all those Guardsmen on the posters.

So the Guardsmen were quickly replaced by gardens. Japanese women put shopping on top of their list of reasons to travel. So the BTA sells London as a shopping and entertainment centre.

And the BTA's Ladies' Britain campaign sells Britain in terms of elegant country houses, English gardens, romantic and fashionable cities and towns. It looks like Laura Ashleyland and it works: Japanese tourists to Britain increased by 45 per cent last year.

The Ministry of Trade and Industry (Miti) also has a plan to encourage more Japanese to go abroad through its Elsa scheme – Extended Leisure Stay Abroad. This is a remake of Silver Columbia, the ill-fated scheme for old people's retirement colonies abroad.

Elsa is really the same thing, only not just for old people. As Miti sees it, Japanese companies would build leisure and housing complexes abroad for Japanese people to take long vacations or job training seminars.

Miti's job is to promote Japanese business, which often brings it into conflict with other countries such as Australia already battling the "cocoon travelers" mentality – where Japanese people stay in Japanese-owned hotels, shop at Japanese-owned shops and eat in Japanese-owned restaurants.

In its present form Elsa is likely to be as popular as Silver Columbia. And perhaps Miti has the sums wrong. In a recent survey by the Prime Minister's office, 83 per cent of Japanese said they had no plans of living in a foreign country. And only 4.5 per cent said they would want to live abroad at retirement.

However, the same survey showed that 80 per cent of Japanese people are still skittish about going abroad. Fears about personal safety and not knowing what to do in a foreign culture persist and "cocoon travelling" is likely to prevail.

Lisa Martineau

A world stimulus

Rock band guitarist giving Sunday performance

Continued from page 1

It seems odd, for example, that the communique from the recent Toronto summit of leading industrialised nations expressed worries about Eastern Europe but did not mention the Korean peninsula, the Philippines, Cambodia or Vietnam.

The trip early this month by the Defence Agency's Director General, Mr Tsutomu Kawara, to Indonesia, raises the more sensitive issue of Japan's strategic role in the world. There is no longer any doubt that Japan is becoming a considerable military power: its military equipment industry is growing rapidly, supported by the third-largest military budget in the world after that of the US and the Soviet Union.

Some analysts fear a creeping militarisation over the next few years. Certainly, as the country's interests around the world grow, so will its need to defend those interests.

Japan's constitution rules out any overseas aggression and, by long-established policy, exports of military equipment are prohibited.

All of this goes to show that the period in which things were straightforward for Japan is over. From now on, every move the country makes will be welcomed by some and regretted by others.

It remains to be seen whether the country can cope with these new circumstances while maintaining the special characteristics that have made it so successful. Viewed from Tokyo, it looks like a good bet.

Schoolgirls travelling in a subway train

Japan's ageing population

The future burden

TO DESCRIBE the residents of Neo-Summit Yugawara as members of the "silver generation," the vogue term for the more than 13m Japanese aged over 65, would be selling them short.

Whatever the colour of their hair, their resources need to be of more precious metal. It takes a minimum entry fee of Y32.8m (£145,000) to gain the "lifetime privilege" of staying at this retirement complex in a hot springs resort 90 km south-west of Tokyo. The second member of a couple gets in for a bargain Y11m.

In addition, each person pays a monthly charge of Y130,000 for food, utilities and management costs. For this, they can live out their days in what amounts to sheltered housing in a luxury hotel. If they leave, or die, within 15 years, the entry fee is refunded pro rata.

Apart from their individual two-room flats, the residents have access to a wide variety of common facilities. Most important for their peace of mind, however, is the 125-bed hospital annexe, where they can be transferred when they are no longer able to care for themselves.

Neo-Summit is by no means typical of the 111 private and 2,845 public nursing homes in Japan. However, it does underline two of the trends in provision of care for the elderly – families giving way to institutions and the private sector taking a growing role.

The Japanese are the longest-lived people on earth and they are getting older.

By 1986, life expectancy in Japan had risen to nearly 81 years for women and 75.2 years for men. Perhaps more significantly for the shape of Japanese society over the next few decades, the proportion of population over 65 is expected to rise steadily from its present 11 per cent to a peak of 23.6 per cent in 2021.

As this also reflects a low birth rate, the question of paying for the future financial burden is one of the biggest questions the country faces. "We expect that we will have a serious problem in the future," says Mr Koji Tsuji, adviser on policy for the aged in the Management and Co-ordination Agency.

The Government has made policy for "the new era of an 80-year lifespan" a matter of priority. In its budget for the current financial year, some Y5,500bn – one-sixth of general expenditure – is linked to programmes in this area. The rate of increase from last year is nearly three times what the budget was as a whole.

Among the measures being promoted are securing employment opportunities – although 41.6 per cent of men over 65 and 15.2 per cent of women were still working in 1985. The Government wants to encourage more part-time employment to phase people more gracefully into retirement.

This would fit into its general effort to reduce working hours and encourage longer holidays.

Other schemes are intended to rationalise public pension plans – although the Government despairs of being able to maintain the same level of benefits into the next century. As with the improvement of health, medical and welfare services, success is likely to depend on a greater role being taken by the private sector.

One sign of the growing recognition is the boom in private pension plans. Between 1982 and 1986, the number of accounts reported by the Life Insurance Association more than doubled to 2.6m, while their total value rose from Y5,292bn to Y11,628bn.

But one flag which few saluted was the Ministry of International Trade and Industry's "Silver Columbia" plan in 1986 which envisaged creating colonies of aged Japanese in sunny, less-expensive climes.

This was quietly shelved when it became clear that there was no desire from the silver generation itself for expatriate life. And what kind of country would transport its pensioners to lotus-eating exile?

Silver Columbia would have exacerbated one of the most distressing social factors apparent in the ageing Japan – parents' estrangement from children and grandchildren who traditionally would have cared for them until death.

Although nearly 65 per cent of Japan's elderly lived with their children in 1985, this was about 10 percentage points lower than 12 years previously.

The increasing tendency to send aged parents to nursing homes has been called the modern *obasteyama*, a reference to the feudal rural practice of abandoning the old in the mountains to die.

A homeless old man eating on a Tokyo bench

In a recent book, Geriatric Ward, journalist Kazuo Okuma graphically describes abuses in homes a world away from the comfortable existence in Neo-Summit. He found evidence of a drastic shortage of trained personnel.

At one home, security was so lax that Okuma was able to enter freely day and night and observe the treatment of patients. Some were restrained in bed even though they were physically fit.

The fortunate few at Neo-Summit appear to have no need to worry in their country club atmosphere, but even they reflect the social changes of their generation. Some 40 per cent said they entered because they had no children to care for them.

Mr Tabahiko Akiyama, aged 68, moved into Neo-Summit in 1987, a year after retiring from Yamazaki Metal Industries in Yokohama, where he had worked for 51 years.

"By entering an institution like this, I will be able to grow old in comfort," Mr Akiyama says.

Jukeikai, the joint venture which built and operates Neo-Summit, was the brainchild of Mr Takeo Kitamura, a hospital manager, who convinced an old wartime comrade, Mr Shigeru Ishibashi, of the opportunities available in catering for the silver generation. Mr Ishibashi's company, the property group Daiwa Danchi, and Mr Kitamura each owns half of the company.

Jukeikai is looking for other appropriate sites, which must be within a 90-minute rail journey of Tokyo, the main catchment area for new residents, in part because nearly half rely on profits from the sale of their houses to pay the hefty entry fee. The Tokyo and Yokohama regions have benefited the most from the recent property boom.

"Not to be haughty, but in terms of facilities and environment I think this institution is number one in Japan," says Mr Osamu Sato, Jukeikai's associate manager.

But he admits: "When I retire, I don't know if I'll be able to afford this one."

Clay Harris

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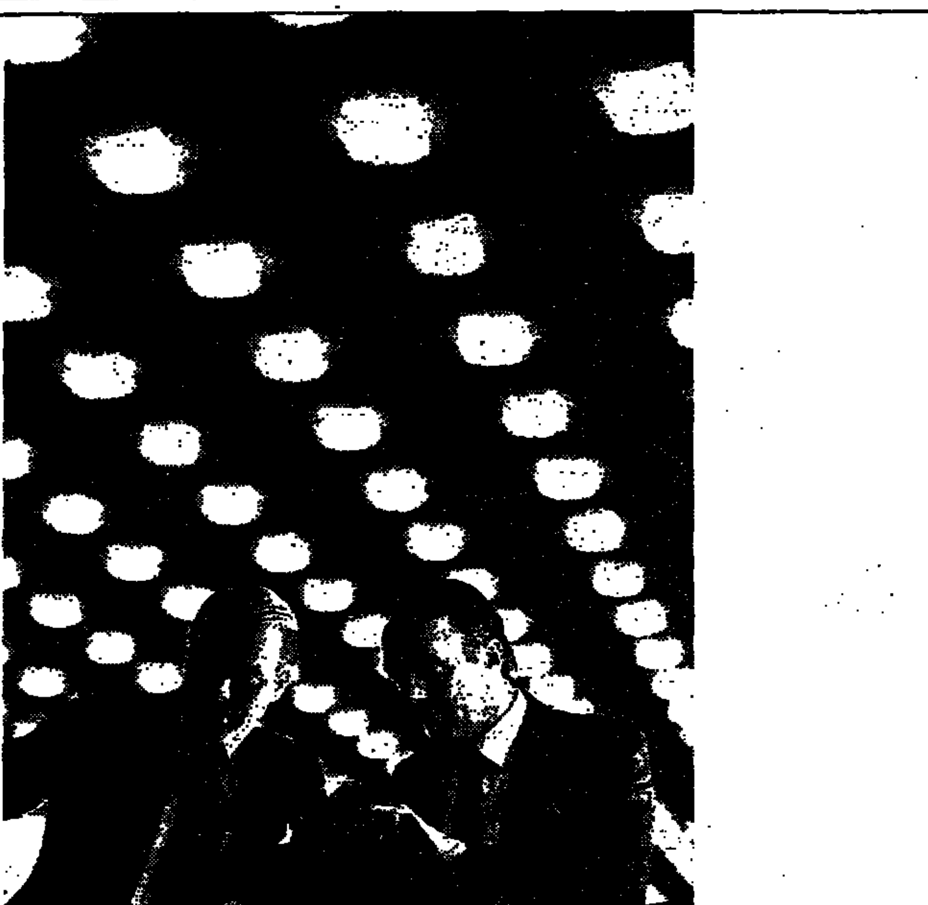

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday July 11 1988

KIER
CHANGING THE FACE OF BUILDING
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INTERNATIONAL BONDS

Managers get rude jolt in Eurodollar sector

SYNDICATE managers thought they were dreaming last week when the primary Eurodollar bond market experienced a day of new issuance reminiscent of a happier era. New deals totalling \$1.8bn were launched, including a well-received and much lauded \$1bn issue for Italy.

Surely the return of an old favourite like the super-sovereign deal was a portent of even better things to come? However, by the end of the week, most had been jolted rudely awake.

Strong US jobs data prompted a brusque correction in the Treasury market, wiping out in one fell swoop the confidence accumulated as the dollar rallied and exposing a Eurobond market so fragile that few houses seem set to attempt any substantial new deals ahead of this Friday's US trade figures for May.

Beyond the vagaries of the US dollar, market operators have found little to distract themselves and this week looks set to mark the start of a rather long and very quiet summer for bond markets around the globe.

Last week's virtual \$2bn of new dollar straights follows many weeks when the total managed to exceed \$1bn. When sales teams and fund managers began excitedly reporting the resurgence of genuine dollar demand from the Continent and the Middle East, it appeared that the Eurodollar market was really coming out of an extended period of torpor.

The steady rise of the dollar has spelt a different story for the remaining sectors, however. Far from slavishly tracking the fortunes of the US markets, the main non-dollar fixed-income markets around the world appear to have become disconnected and are now languishing in bearish isolation.

Sterling markets are still in something akin to limbo, with investors closely eyeing the progress of the pound on the foreign exchanges in the wake of the fifth half-point rise in interest rates in as many weeks.

In West Germany, the Bundesbank's failure to restrain the dollar with some serious intervention has done nothing to restore the confidence which has been lacking in the D-Mark bond markets since the proposed 10 per cent withholding tax was announced.

Even the Eurobond market's brashest sector, Japanese equity warrants, has had a hard time of it lately, although the roots of its problems are somewhat different. In spite of the market struggling to absorb phenomenal volumes of new paper, the deals just keep coming, with \$790m-worth launched last week alone.

This has had a predictably depressing effect on grey market performance, with most issues falling from the generous premiums usually seen to initial bids around the level of their fees. There have, however, been a few exceptions, such as the recent \$600m deal for Nippon Steel.

A combination of fears that domestic interest rates in Japan are set to rise and the fabled bandwagon mentality of Japanese companies does not bode well for any slowdown in issuance. The new-issue calendar looks pretty heavy, at least until the end of this month.

Given this background, dollar bonds were once more looking attractive as the currency rallied. The US unit has appreciated by about 10 per cent against both the D-Mark and the yen since the turn of the year, prompting many investors to worry that their portfolios are underweight in dollars.

Syndicate teams have been using these worries to their advantage over the last few weeks and the result has been a crop of fairly priced and generally successful deals. Credit Suisse First Boston was able last week to turn some of that dollar demand to their advantage with a well-priced and well-handled jumbo issue for Italy.

CSFB's follow-ups, a \$600m deal for Denmark, thought to be linked to the swap behind the Italy issue, and a \$100m issue for American General could not command the same level of interest, however, and were hard hit as Eurodollar bonds fell at the end of the week, indicating that the sector is still far from robust.

Median expectations for the May trade gap are about \$11bn and as long as the figures do not diverge wildly, the dollar could see another limited rally. This will provide some support to the Eurodollar bond market although it is now apparent that its effects on the other currency sectors will be far from positive.

However, the medium-term outlook for the dollar is far from bullish and analysts seem united in their forecasts that undesirable developments in economic fundamentals may soon be forcing some caution back into the bond market. The sobering effect of last Friday's job data merely reinforced their case.

Dr Ceris Williams, of Midland Montagu Research, said: "The improving trade picture now only spells problems for the future as the stronger dollar erodes the US competitive edge. This continued strength in the economy is sure to feed through to the trade figures by the autumn."

Dominique Jackson

EUROCREDITS

Japanese respond to improved margins of comfort

JAPANESE banks have undoubtedly gone to ground in the international loans market this year because of worries about the harmonisation of international bank capital requirements post-1992.

In an attempt to lure them from hiding, banks are starting to structure loan transactions to give their Japanese counterparts an improved margin of comfort.

An example of this is in an Ecu165m, 10-year transaction launched at the weekend for Banca Nazionale del Lavoro's long-term lending subsidiary, BNL-SACF. The credit has a 10-year life and a six-year grace period. It pays a margin over London interbank offered rates of ⅛ percentage point until, yes, December 1991, when it rises to ¼ point.

Arranged by BNL Investment Bank, the loan has been underwritten by Amsterdam-Rotterdam, Bank of Tokyo, Crédit Lyonnais, Mitsubishi Bank and Sanwa Bank.

Bankers Trust International started syndication of a \$150m, eight-year loan for the Public Power Corporation of Greece. It has been underwritten by BT along with Banque Paribas, Deutsche Bank Luxembourg, Gulf International Bank, Mitsubishi Bank and Sumitomo Bank.

It carries a five-year grace period, with an interest margin of ½ percentage point for the first six years, rising to ⅝ point after that. Front-end fees start at 40 basis points (hundredths of a percentage point) for a \$15m commitment. These terms are exactly in line with the financing launched in February for the Bank of Greece.

Citicorp and Hill Samuel launch into syndication this week a £175m financing for Imry Merchant Developer, the UK property investment and development group. The seven-year revolving credit carries a commitment fee on undrawn amounts of 12½ basis points if more than half drawn, and 17½ basis points if less than half drawn. For years one through four it pays a margin of ⅜ percentage point, with ⅝ point for the final three years.

Credit Suisse First Boston was mandated to raise a \$200m financing for Browning-Ferris, the Houston-based waste services group. The committed financing carries a margin of 20 basis points, a 10 basis point commitment fee and utilisation fees split in thirds, of 0, 5 and 7½ basis points.

Solvay, the Belgian chemicals company, has raised \$100m through a Bermuda finance subsidiary from a group of banks led by Deutsche Bank, Brussels, and Générale Bank. The seven-year financing carried a 6¼ basis points facility fee and a 15 basis point margin for the first four years and 17½ basis points thereafter. There is a utilisation fee of 5 basis points, payable if more than half drawn.

The restructuring of the almost \$4bn of debt for Fecsa, the Spanish electrical utility, appears to be close to completion, with the signing between the utility and its bank steering committee on its \$2.2bn of bank debt scheduled for July 27.

Bond Corporation completed its refinancing of the bridging loan used to finance its takeover of G. Heileman Brewing, with a \$600m syndicated bank loan led by First National Bank of Boston and a \$200m private placement through Drexel Burnham Lambert of subordinated Heileman debt.

In Eurocommercial paper, Citicorp announced the expected \$500m programme for Portugal, with CSFB, Daiwa Europe and Merrill Lynch International also acting as dealers.

Petrofina, Belgium's largest company, announced a medium-term note programme totalling \$1bn. Notes can be issued by Petrofina Delaware or Mafina BV up to a maximum of \$500m each. Merrill Lynch arranged the programme and CSFB and S.G. Warburg are also dealers.

Stephen Fidler

Schroder sets up fund for Italian buyouts

By Charles Batchelor in London

SCHRODER VENTURES, part of the Schroder banking group, has set up a £40m (\$68m) venture capital fund to back management buyouts and other venture financings in Italy. It expects to follow this with a French fund in the autumn.

The Italian venture fund is the first of its kind to be established in the country by a non-Italian financial group. Schroders has already established specialist buyout and venture capital funds in Germany, Canada, Japan and the US, as well as in Britain.

Schroder has set up a consultancy, Schroder Associati, in Milan to recommend Italian deals to the company's managers based in London. The Italian consultancy will be run by Mr Mario Ferrario and Mr Paolo Colonna, who have made a number of buyout and venture capital investments on their own account over the past six years.

Backing for the new fund has come from mainly institutional investors in Britain, the US and the Netherlands. None of the investors is Italian. The fund expects to put 75 per cent of its money into buyouts and the rest into other venture capital deals.

EUROMARKET TURNOVER (\$m)

Primary Market	Straights	Conv	FRN	Other
US\$	4,492.3	332.8	299.0	7,881.9
Prev	2,271.4	359.4	1,540.5	9,591.9
Other	5,163.2	1,039.5	51.6	1,101.1
Prev	4,240.8	18.6	0.0	1,296.2
Secondary Market				
US\$	14,394.0	1,206.3	4,932.8	4,912.8
Prev	18,099.3	1,231.0	6,168.3	5,045.3
Other	17,877.2	1,394.0	4,602.5	23,351.6
Prev	22,856.0	923.5	3,954.6	26,441.6

	Cedel	Euroclear	Total
US\$	10,796.5	27,655.4	38,451.9
Prev	11,953.5	32,353.6	44,307.1
Other	25,883.5	28,697.2	54,580.7
Prev	29,525.5	30,205.8	59,731.3

Week to July 7, 1988 Source: AIBD

D-Mark strength fails to halt rise in Siemens sales

BY HAIG SIMONIAN IN FRANKFURT

SALES AT Siemens, the West German electrical and electronics group, rose 7 per cent to DM35.2bn (\$19.2bn) in the first eight months of the current business year, from DM33bn in the same period last year, putting it on course for its DM58bn sales forecast for the year as a whole.

Profits "will not be below, and very likely above, those for the previous year," Mr Karlheinz Kaske, chief executive, said. However, he gave no indication whether Siemens would restore its dividend, which was cut after a 13 per cent fall in profits to DM1.28bn last year.

Group sales in the first eight months rose 8 per cent to DM18bn domestically and 5 per cent to DM17.2bn abroad. The extent of foreign growth is partly masked by the strength of the D-Mark.

While new domestic orders fell 2 per cent to DM15.4bn in the first eight months, foreign orders climbed 14 per cent to DM20bn, putting total new orders 7 per cent higher at DM38bn.

Weak order activity at home in the first four months of the year had now picked up, Mr Kaske said. However, foreign business had been particularly lively, with no collapse in exports on account of the strong D-Mark.

US orders rose 7 per cent in D-Mark terms, or 20 per cent in dollars. Both sales and new orders in the US were set to top \$3bn for the first time this year, doubling Siemens's US business in four years.

The recent fall in the D-Mark meant the group's exports from its German plants "had stabilised."

Mr Kaske constantly stressed the danger of high German production costs and the need to improve productivity. Thus, a reduction of 3,000 in Siemens's total workforce to 356,000 in the first eight months was carried out domestically.

Further small cuts in the domestic workforce were likely during the remainder of the business year.

Mr Kaske was cautious regarding speculation of an imminent UK electronics acquisition. Siemens wanted to raise its market share in Europe, and the UK was an important industrialised market, he said.

"In this business, everyone talks to everyone." Siemens received "25 offers a day" from mergers and acquisitions bankers. Automotive systems continued to be a pacesetter, although continuing annual growth rates of 20 per cent were considered unlikely.

Spanish group in 10% placement

BY PETER BRUCE IN MADRID

CONSERVERA CAMPOFRIO, the big Spanish meat concern which claims more than 10 per cent of the processed and frozen meat market in the country, has joined the queue of new entrants to the Spanish stock market by announcing a private placement of 10 per cent of its shares on the Madrid bourse.

The placement, at Pta7,475 a share, is being made by Banco Central and Iberagentes, the stockbroker. It is expected to raise Pta6.5bn (\$53.6m).

Banco Central, Spain's biggest bank, bought 40 per cent of Campofrio earlier this year. It plans eventually to float this in the Spanish and foreign markets.

Campofrio, which employs 1,630 people, made pre-tax profits last year of Pta3.6bn on sales of about Pta30bn.

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Chase Investment Bank | Commerzbank Aktiengesellschaft
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UK GILTS

Base rate rises fail to shake off lethargy

IF ANYTHING was to shake long-dated gilt-edged securities out of their lethargy, five base rate rises in as many weeks and a record current account deficit should have been strong contenders. Alas, despite a flurry of activity early last week, the *events of the past month have* left long-dated gilts still lacking clear direction. There seems little that will push them out of their recent tight trading range.

Activity has been concentrated at the short end of the market *with the long end acting as a* fulcrum for the yield curve. With few sellers or buyers of gilts, market-makers are instead turning to the futures market.

Last week came the news that the two largest Japanese securi*ties firms*, Daiwa and Nomura, are to begin dealing in the market by the end of the summer. With the performance currently so uninspiring, the announcement prompts one to wonder why they bother.

Gilts are being held in check at the long end by two seemingly equal and opposite forces. If they are to break free from their narrow trading range, one side is going to have to give.

Holding prices up is the technical outlook. Healthy government revenues mean little need for funding and a shortage of stock.

Warburg Securities is forecasting a public sector borrowing requirement surplus of £7bn this year. This would mean the Bank of England has probably overfunded and the two gilt auctions to which it is committed will make the overfunding worse.

Friday's Bank of England announcement of an auction of short-dated stocks on August 10 surprised the many who had expected long-dated stock. It led some to conclude it would mean prices at that end would continue to be underpinned by the shortage of stock for sale.

On the other side are bearish fears about inflation. Taunts by Mr Nigel Lawson, the Chancellor, about "teenage scribblers" has not fettered independent economists in their gloomy prognoses.

Forecasts of 5 per cent or above by the end of the year are commonplace and the Treasury has acknowledged that its own forecast of 4 per cent is too low. Shearson Lehman is predicting more than 6 per cent at the end of the year.

Inflation will again be the focus of attention this week. Most economists are expecting Thursday's average earnings figures to show the underlying rate remaining at 8¾ per cent but many fear another rise to perhaps 9 per cent. The retail price index for June is published on Friday and *producer* price indices on Monday. Speculation about how gilts will break out – and in which direction – comes in two forms.

First there is the shock theory, such as that favoured by Mr Glenn Davies of CL-Alexanders Laing & Cruickshank.

Here the argument runs that government statistics alone will not be sufficient – at least in the short run. If record bank lending and building society lending in April and a record current account deficit in May do not give the market momentum, then no numbers will.

Instead, it will take a fundamental shock. Besides unforeseen acts of God or Government, the most obvious trigger would be if Mr Lawson resigned. An unexperienced Chancellor appointed with a strict brief to keep inflation in check, no matter what the cost, could then push yields to below 9 per cent.

The second theory is that a *cumulation of economic statistics* will eventually provide clear proof that the economy is moving in one direction. Mr *Richard* Jeffrey of Hoare Govett, for instance, argues the weight of bad news will, possibly by the end of this month, push long-dated yields above 10 per cent.

Until a cure for the market's drowsiness is discovered, dealers will be frustrated by thin volumes and small price movements. More importantly, questions will continue to be asked about how long losses can be sustained and whether the current 23 market makers (down from 27 at the time of Big Bang) can all survive in the longer term.

Given these worries, news that the Japanese are coming was greeted with considerable calm. Nomura and Daiwa's dealings are likely to be modest at the start and many analysts are confident they will bring custom from Tokyo – extending the market rather than intensifying competition.

They may even provide the long end of the market with a welcome kick-start.

Ralph Atkins

US MONEY AND CREDIT

Treasuries resilient despite shock of employment surge

CONSIDERING the economic news it has faced this week, resilient rather than weak would *seem to be the best adjective to* describe the state of the bond market. For the Treasury's long bond to end the week yielding a little over 9 per cent was not bad going after the shock of Friday's surge in employment – to say nothing of Wednesday's strong car sales figures and Monday's purchasing managers' report.

After the previous Friday's publication of the austere-sounding minutes from the Federal Open Market Committee, it was hard to see how the Fed could *avoid tightening in response to* all these expansive economic numbers.

Why then was the long bond yield on Friday still a quarter of a percentage point below its peak of late May? And why do we hear so little about the 10 per cent bond yields which a few months ago were almost taken for granted?

The commonplace explanation for the bond market's surprising resilience is, of course, the strength of the dollar. But even if the rising dollar is more than a temporary aberration, it actually explains less than is sometimes supposed. The price of US bonds should ultimately be determined by US rates of growth and inflation rather than by the exchange rate. If dollar inflation threatened *to rise unchecked, there would be* no attraction in locking money away for 30 years at 9 per cent, however good the currency *appeared in a shorter time frame.*

There are two more fundamental reasons why long-term bond investors may be refusing to panic about the present strength of the economy. For the habitually gloomy majority of bond buyers, there is the expectation of an abrupt slowdown in growth and inflation some time next year or early in 1990. For a small but increasingly vocal minority of ultra-optimists, there has been the recent revival of a New Era faith in virtually eternal non-in*flationary supply-side growth.*

The argument for an eventual slowdown needs little elaboration. The economy often seems strongest just before it is about to turn. A survey last month by Blue Chip Economic Indicators showed that 84 per cent of business economists believed a recession would begin in 1989 or 1990 – even though the numerical forecasts actually churned out by their computers showed no such recession in sight.

Whether the economy slows down of its own accord, is squeezed by monetary tightening or is restrained by a fiscal package shortly after the presidential election, many investors seem to believe that the present expansion does not have much longer to live.

*A classic sign of such deflation*ary long-term expectations, despite the undeniable strength of the economy today, is the flattening of the yield curve since May. The yield spread between three-month Treasury bills and long bonds on Friday was 2.23 per cent, compared with 3.12 per cent on May 23, when the bond yield peaked at 9.36 per cent.

Now what about the less familiar ultra-optimistic case for buying bonds? The argument is simple. It holds that the economic and social world today has much more in common with the Golden Age of capitalism in the 1950s and early 1960s than with the Dark Decade of socialism from 1973 to 1982.

The New Age credo requires, at *a minimum, rejection of two fun*damental dogmas which have ruled the financial markets for the last 15 years: that inflation *will inevitably start to accelerate* once unemployment falls below some "natural rate" of between 5½ and 6½ per cent; and that there will never again be a economic upswing as long as the 8¾-year continuous expansion which America enjoyed from February 1961 to November 1969.

The two beliefs are closely inter-connected. For if inflation shows no signs of taking off in a period like the present, when unemployment is well below the 5½ per cent mark, there is no *need for monetary or fiscal* tightening to bring economic expansion to a premature end. Ergo, there is no reason why the present upswing should not equal or even surpass the record for longevity set in the Golden Age of the 1960s.

That would mean no recession until the middle of 1991. It would also mean a benign environment for bond investors, since inflation would continue to fall, instead of rising, over the coming years.

Mr Lawrence Kudlow, of Bear Stearns, was chief economist at the Office of Management and Budget from 1981 to 1983. He therefore knows a thing or two about New Age thinking, as one of his recent circulars attests:

"We do not rule out the possibility that the unemployment *rate could decline to 4-4½ per* cent during the next four years with inflation at 2 to 3 per cent and much lower interest rates. These conditions prevailed during the halcyon days of the 1960s and they may occur again."

The supply siders' optimism rests on some unorthodox premises. Mr Kudlow, for instance, puts great store on the recent drop in the world gold price, "a sure sign that inflation is not on the cards." He also insists that the US is stronger as a result of all the foreign money it has borrowed.

But whatever one thinks of the New Age jargon, there are some serious macroeconomic and political aspects of the supply-side resurgence. First and foremost, the moderation of US wages has opened up the genuine possibility that the natural rate of unemployment may be much lower than people previously thought.

Secondly, the supply siders' political influence is almost certain to be revived if the present benign economic environment persists until November. Mr George Bush appears to be strongly influenced by people such as Mr Kudlow.

When Mr Bush repeatedly tells the American electorate that he will never raise taxes he almost certainly means it. For if the US can really avoid recession for another four years, the supply siders may be proved right. The *budget deficits* may vanish with no further fiscal sacrifices required.

A Bush Administration's fiscal plans, in other words, would be identical to those of President Reagan. Mr Bush's opponents will doubtless dub his born-again supply-side creed as Voodoo Economics Mark Two. But as long as the economic expansion continues, they will find it hard to destroy the public's faith in Voodoo Economics Mark One. If Mr Bush is elected in November, the world will finally discover whether the power of Voodoo is transferable and how long the charms last.

* * *

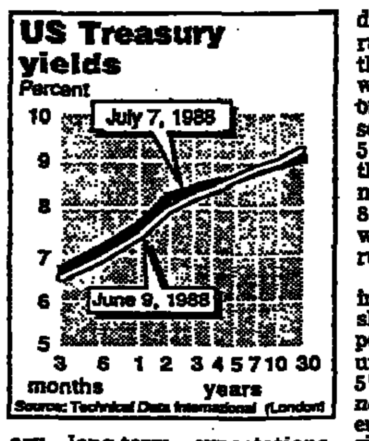
The following statistics are due for release this week, along with the market's expectations as surveyed on Friday by Money Market Services of Redwood City, California:

- Retail sales in June (Thursday 8.30am) should be up *0.6 per cent*, with estimates ranging from minus 0.5 to plus 1.3 per cent.
- Trade figures for May (Friday 8.30am) should show a seasonally adjusted deficit of $11bn, with a range of $9bn to $12.8bn.
- Producer price index for June (Friday 8.30am) should be up 0.5 per cent, with a range of 0.1 to 0.7 per cent.
- Industrial production (Friday 9.15am) should be up 0.4 per cent. The range is 0.2 to 0.8 per cent.

Anatole Kaletsky

US Treasury yields

Percent



Source: Technical Data International (London)

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.65	7.81	7.36	7.81	6.27
Three-month Treasury bills	6.65	6.55	6.43	7.17	5.03
Six-month Treasury bills	6.96	6.69	6.65	7.45	5.41
Three-month prime CDs	7.88	7.70	7.53	8.28	6.67
30-day Commercial Paper	7.65	7.50	7.37	7.61	6.27
90-day Commercial Paper	7.72	7.55	7.47	8.05	6.47

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	97⅞	-1⅛	8.90	8.63	8.77
20-year Treasury	101⅞	-2⅜	9.24	8.97	9.09
30-year Treasury	100¼	-2¼	9.10	8.84	9.05
New 10-year "A" Financial	n/a	n/a	10.00	9.50	9.70
New "AA" Long utility	n/a	n/a	10.25	10.00	10.25
New "AA" Long industrial	n/a	n/a	10.25	9.88	10.13

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

December 1983 = 100	8/7/88	Average yield (%)	Last week	12 wks ago	26 wks ago
		PERFORMANCE INDEX			
Overall	143.11	4.78	143.37	144.43	140.52
Government Bonds	142.99	4.60	143.50	145.67	141.03
Municipal Bonds	145.58	4.97	145.46	145.88	141.98
Govt.-guaranteed Bonds	147.02	4.95	147.01	147.39	143.25
Bank Debentures	137.48	4.62	137.58	137.88	135.40
Corporate Bonds	143.95	5.40	143.93	143.10	139.98
Yen-denom. Foreign Bonds	145.75	6.38	145.56	143.53	140.54
Government 10-year†	5.24		5.17	4.75	5.06

† Estimated par yield

Source: Nomura Research Institute

NEW ISSUE

This announcement appears as a matter of record only.

June, 1988

Heinz

H. J. Heinz Company

A$ 100,000,000 12¾ per cent. Notes due 1991

Issue Price 101¾ per cent.

SBCI Swiss Bank Corporation Investment banking

Citicorp Investment Bank Limited

Bankers Trust International Limited

Rabobank Nederland

Algemene Bank Nederland N.V.

Daiwa Europe Limited

ANZ Merchant Bank Limited

Dresdner Bank Aktiengesellschaft

BNP Capital Markets Limited

HandelsBank NatWest (Overseas) Limited

Banca del Gottardo

Kleinwort Benson Limited

Banque Bruxelles Lambert S.A.

Nomura International Limited

Banque Internationale à Luxembourg S.A.

Swiss Volksbank

Banque Paribas Capital Markets Limited

Union Bank of Switzerland (Securities) Limited

Crédit Lyonnais

S.G. Warburg Securities

Credit Suisse First Boston Limited

Yamaichi International (Europe) Limited

SBCI Swiss Bank Corporation Investment banking

FT/AIBD INTERNATIONAL BOND SERVICE

	Issued	Bid	Chg on week	Yield
[illegible]				
ONTARIO HYDRO 11¾ 98	200	105⅜	-⅛	8.91
ONTARIO HYDRO 13½ 91	100	110⅜	-⅛	8.87
ONTARIO HYDRO 14⅞ 89	150	104⅜	0	8.77
ONTARIO HYDRO 15 92	150	118⅜	-⅛	9.20
OSTER KONTROLLBANK 8¼ 93	200	95⅜	-⅛	9.25
OSTER KONTROLLBANK 9¼ 92	200	100⅜	-⅛	8.99
PACIFIC GAS & ELEC 12 00	75	109	-⅛	10.50
PENNEY J.C. 12¾ 91	100	104⅞	-⅛	10.84
PEPSICO INC 7½ 93	200	93⅞	-⅛	8.98
PEPSICO CAPITAL 8¼ 91	100	98⅜	-⅛	8.88
PETRO-CANADA 7¼ 96	200	87¼	-⅛	9.63
PHILIP MORRIS 9⅞ 98	200	99⅜	-⅛	9.93
POSTSPARKKO 11¼ 90	75	102⅞	-⅛	9.23
PROCTER & GAMBLE 10 95	150	102⅞	-⅛	9.41
PRU.RLTY.SECS. 8 99	345	36½	-⅛	10.86
QANTAS AIRWAYS 8¼ 96	97	94	-1	9.34
QUEBEC PROV 15 98	150	106⅞	-⅛	9.52

	Issued	Bid	Chg on week	Prem
[illegible]				
CANON 3 00	100	187⅞	+14⅞	1.14
EASTMAN KODAK 6¼ 01	300	105⅜	+⅛	18.00
ELDERS UK 5 97	75	112	+1⅛	-6.51
FUJITSU 3 99	180	249⅛	+21¼	-2.88
GIBRALTAR SAVINGS 7½ 06	100	43	0	74.43
GRACE (WR) 6¼ 02	150	86⅞	-⅛	38.53
GRAND MET 6¼ 02	100	89⅞	-⅞	21.38
INTL PAPER 5¾ 02	200	89⅞	+⅛	28.03
LTCB 1¾ 02	200	105⅞	+6⅞	0.62
MCA 5½ 02	300	81⅞	-⅛	35.11
MITSUBISHI BK 1¾ 02	300	110⅞	+6⅞	0.66
NEWMONT MINING 7 01	100	112⅞	-1⅛	14.70
NIPPON ELECTRIC 2⅞ 00	150	304⅞	+15⅞	-2.55
NISHI NIPPON 2⅞ 03	70	118⅞	+3⅞	1.52
ROCKEFELLER CENTER 0 00	952	28½	-⅛	-67.04
SANWA BANK 1¾ 02	300	94	+5⅞	6.11
SOUTHWEST AIRLINES 6¼ 98	35	79	0	46.94

WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AVON CAPITAL 9 93	09/04/89	6	0	8.83
CREDIT SUISSE PAN 11¼ 92	13/02/92	60	0	9.65
DEN NORSKE CREDIT 8 94	02/03/90	3	0	7.92
DEN NORSKE CREDIT 8¼ 96	08/08/89	2	0	8.21
DENMARK 12¾ 92	31/01/90	75	0	10.00
FINNISH EXP CREDIT 12¾ 92	21/11/89	40	0	9.46
GEN ELEC CRED 9⅞ 92 B	17/12/92	11½	-1½	9.14
GMAC 8¼ 95 B	11/03/91	14½	0	8.46
HEINZ H.J. 7½ 96	01/10/90	4½	-½	7.42
MITSUBISHI FIN 12⅞ 91	08/11/89	60	0	9.66
NORDIC INV BANK 7⅞ 96	30/10/92	4	0	7.82
ROYAL BK CANADA	28/01/90	73	0	9.91
WESTPAC BANKING 12⅞ 92	31/01/90	80	0	10.85

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JULY 8TH

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George Graham on the latest Moët Hennessy Louis Vuitton deal

LVMH drinks to new shareholders

MR ALAIN CHEVALIER, chairman of LVMH Moët Hennessy Louis Vuitton, was weary but relieved on Friday night after completing the financial deal that settles his company's shareholding structure and puts an end to weeks of internal dissension.

"A company cannot operate if its capital is not stable. In the last two months I have missed three journeys abroad because of this business and 10 strategy meetings. I must be able to get on with my work," he said.

The operation, which brings Agache, the fashion and retail company, in as LVMH's principal shareholder in association with Guinness, the UK drinks group, as well as giving the French cognac, champagne and luxury goods conglomerate a 10 per cent stake in Guinness, should allow Mr Chevalier to get back to minding the shop.

The shop needs minding, for LVMH, brought together last September by a merger of the Moët Hennessy drinks concern with the Louis Vuitton luxury luggage company, is currently expanding actively both on its traditional activities and through acquisition.

The 60 per cent explosion in Louis Vuitton luggage sales this year, based on heavy Far Eastern demand, has surprised even Mr Henry Racamier, the 76-year-old vice-chairman of LVMH and head of its Vuitton arm, and is raising agonising investment questions both for the company and for its suppliers.

Meanwhile, the group has in the last month signed an agreement to buy the Givenchy fashion house – it already owns Givenchy perfumes – besides acquiring the distinguished Burgundy wine merchant and grower Leroy, distributor of the famous Romanée Conti wine.

In an enterprise growing at this rate, there should be enough to do to keep everyone busy. So why have the last two months been spiked with reports of boardroom battles between the drinks faction, headed by Mr Chevalier, and the luxury goods clan, comprising Mr Racamier and the Vuittons, not to mention the ominous shadow of potential predators – Agache or others more menacing still?

For Mr Bernard Arnault, chairman of Financière Agache, the roots of the unrest go back to the battle earlier this year for Martell, the family-controlled cognac house which was eventually bought by Seagram, the Canadian drinks group, after a long and acrimonious battle with Grand Metropolitan, its UK rival.

"After Martell, I think there was a growing awareness among the family shareholders of the problems that could be posed for a company like theirs in the face of the appetites of other drinks groups or purely financial investors," he said.

Although Mr Chevalier himself avoids direct criticism of his associate, others in his camp openly blame Mr Racamier, even accusing him of the ultimate crime: dealing with the enemy in the shape of GrandMet.

Mr Racamier, for his part, says his only disagreement with Mr Chevalier was over how big a stake Guinness should take in LVMH as a concrete seal on the existing joint distribution agreements between the two companies.

"I was altogether in favour of the entry of Guinness into our capital, but I thought 20 per cent was a lot, especially for a foreign company. In the interest of preserving a balance between the drinks side of the business and the luxury side, I wanted another investor, preferably French and preferably in the luxury business. That is what we now have," he said on Friday.

The deal put together on Friday appears to have restored unanimity. Lazard Frères, architects with Paribas of the original LVMH merger, can claim sole credit for this operation, with Mr Bruno Roger advising Mr Chevalier and Mr Antoine Bernheim counselling Mr Arnault. Mr Marcus Agius of Lazard Brothers in London is working with Guinness.

Alain Chevalier: avoids criticism of associate

The shareholding tripod, after all outstanding warrants are exercised, gives Agache and Guinness in association 24 per cent of LVMH – a stake they expect to raise to around 30 per cent – the Vuitton family about 20 per cent, and the various families that made up Moët Hennessy around 11 per cent.

The operation is an important consolidation of LVMH's links with Guinness on the wines and spirits side, for the joint distribution ventures now account for about 25 per cent of Guinness's profits and considerably more of LVMH's.

On LVMH's luxury goods side, the industrial implications are less clear. If Mr Racamier believes the co-operation between Christian Dior perfumes, owned by LVMH, and Christian Dior fashion, owned by Agache, can now accelerate, Mr Chevalier sees no urgency.

Nor is it clear how there can be any direct industrial co-operation between LVMH and Agache on their other luxury brands.

"In the luxury industry you can create the circumstances for co-operation, but businesses must stay very independent," comments Mr Arnault, while noting that a salesman who can offer brands like Vuitton and Givenchy from the LVMH side, together with Dior, Céline and Christian Lacroix from Agache, will be in a strong position to obtain the best sites in department stores or other retail outlets.

Mr Arnault himself may turn out to be the long-term victor in the battle. Other participants have presented the deal as muzzling a potentially hostile investor by teaming him with Guinness and obtaining his commitment not to try to break up the LVMH combine.

The Agache camp puts a more bullish gloss on the operation, noting that Mr Arnault has 60 per cent of the joint Guinness-Agache holding, and thus becomes LVMH's leading shareholder while getting the UK drinks company to help finance his FFr10bn ($1.6bn) investment.

Mr Arnault has in the past six months shed Agache's heavy industrial operations, with the sale of Peaudouce nappies to Molnlycke of Sweden and of its textile operations to the French group Prouvost, leaving Dior, Céline, Lacroix and the Conforama and Au Bon Marché retailing operations. At 39 years of age he now looks well placed in LVMH.

St Louis takes stake in French paper group

By George Graham in Paris

ST LOUIS, the French sugar group forced earlier this year to abandon its ambitions to become a giant in the food industry, has turned its attentions to the paper sector.

The company has declared a stake of more than 20 per cent in Arjomari-Prioux, the leading French paper group, and is expected to take more than 30 per cent of Arjomari by backing the latter's takeover bid for Guerimand-Voiron, another French paper maker which specialises in self-copying paper.

St Louis will provide a cash offer of FFr500 ($81.9m) a share as an alternative to Arjomari's paper bid for Guerimand, undertaking subsequently to pass these shares to Arjomari.

The stake in Arjomari has been built up by purchases in the market but principally by the acquisition of the 16.6 per cent stake held by Pechelbronn, the Worms Group holding company.

Worms is also the principal shareholder in St Louis.

Mr Bernard Dumon, chairman of St Louis, had originally hoped to construct a major foods group after merging his company with Lesieur, the cooking oils and household products group.

But after selling off Lesieur's cleaning products division, Cotelle, to the West German group Henkel, Mr Dumon was greenmailed into selling its main cooking oil operation to Mr Raul Gardini's Ferruzzi group.

Although St Louis retains the William Saurin canned foods and Royal Champignon mushroom business, and in May bought Gorcy, the leading French frozen food producer, from Olida-Caby, Mr Dumon has said that other opportunities for acquisitions in this sector are too rare.

The acquisition of a large stake in Arjomari gives St Louis three major industrial activities broadly equal in weight – sugar, paper and foodstuffs – as well as a financial arm consisting of FFr900m in treasury resources and the company's 3 per cent stake in BSN, the leading French foods group.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Mutow Co.Φ♦	50	1993	5	4¼	100	Nomura Int.	4.250
Nippon SteelΦ♦	600	1992	4	3¼	100	Nomura Int.	3.250
NHK Spring Co.Φ♦	100	1993	5	4¼	100	Nomura Int.	4.250
Diesel KikiΦ♦	120	1993	5	4¼	100	Nomura Int.	4.250
Sanyo Special SteelΦ♦	100	1993	5	4⅛	100	Yamaichi Int.(Eur)	4.125
Nippon Yakin KogyoΦ♦	70	1993	5	4⅛	100	Nomura Int.	4.125
Nippon Yusen KKΦ♦	200	1993	5	4	100	Yamaichi Int.(Eur)	4.000
Nippon Yusen KKΦ♦	100	1995	7	5¼	100	Nikko Secs (Europe)	5.250
Nippon Synthetic ChemΦ♦	60	1993	5	4¼	100	Yamaichi Int.(Eur)	4.250
Tokai Corp.Φ♦	50	1993	5	4¼	100	Nikko Secs (Europe)	4.250
Nippon Electric GlassΦ♦	120	1993	5	4⅛	100	Daiwa Europe	4.125
Nichii Ltd.Φ	100	1992	4	(3½)	100	Nomura Int.	★
Toyo Tire & RubberΦ	100	1993	5	(4¼)	100	Yamaichi Int.(Eur)	★
Skopbank♦	50	1991	3	(a)	101⅜	Nomura Int.	-
Telefonica de Espana§♦	200	2003	15	4	100	Warburg Securities	4.000
Sekisui PlasticsΦ	50	1993	5	(4¼)	100	Nikko Secs (Europe)	★
Mitsubishi Cable Ind.Φ	120	1993	5	(4¼)	100	Nikko Secs (Europe)	★
Finnish Export Credit♦	150	1990	2	8⅝	101.025	Nomura Int.	8.050
Sumitomo CementΦ	100	1992	4	(3½)	100	Nomura Int.	★
Denmark♦	600	1991	2½	8¾	101.175	CSFB	8.172
American General♦	100	1991	3	8⅞	101¼	CSFB	8.387
Italy♦	1bn	1993	5	9	101.175	CSFB	8.700
Montreal Trust Co.♦	100	1991	3	9	101¼	Goldman Sachs	8.511
C. Itoh Fuel Co.♦	70	1993	5	(4¼)	100	Nikko Secs (Europe)	★
Vishay Intertechnology§♦	50	2003	15	4¾	100	Salomon Brothers	4.750
Thermo Instr.Systems§♦	30	2003	15	6¾	100	Drexel/Shearson L'man	6.750
RyosanΦ	150	1993	5	(4¼)	100	Daiwa Europe	★
Nankai Elec.RailwayΦ	100	1992	4	(3½)	100	Nomura Int.	★
Yasuda Trust & B'ing§	100	2003	15	(2⅞)	100	Yasuda Trust Europe	★
CANADIAN DOLLARS							
American General♦	125	1991	3	10	101¼	Goldman Sachs	9.502
AUSTRALIAN DOLLARS							
TNT Pacific Finance§♦	175	1998	10	9	100	Salomon Brothers	9.000
D-MARKS							
Eurofima♦	400	1998	10	6¼	100⅝	Deutsche Bank	6.164
Thailand♦	200	1993	5	5¾	100⅛	Commerzbank	5.721
Deutsche G'zentrale♦	150	1993	5	5½	100¾	Deutsche G'zen.Kbk	5.325
SWISS FRANCS							
Odakyu Elec.Railway★★§♦	50	1993	-	¼	100	SBC	0.250
Nitto Chemical Ind.★★§♦	60	1993	-	¼	100	UBS	0.250
Kinseki Ltd.★★§♦	50	1993	-	¼	100	SBC	0.250
African Dev. Bank♦	150	1996	-	5	100¼	UBS	4.951
Cerus BVΦ	125	1993	-	(3)	100	War.Soditic/Shearson	★
Tabai Espec Corp.§★★	35	1993	-	(⅝)	100	Bank Leu	★
Marukyu Co.§★★	50	1993	-	(⅝)	100	SBC	★
EIB♦	150	1994	-	4⅛	100⅜	Bank Leu	4.053
Ind.Cr.& Inv.Crp.India♦	80	1995	-	5¼	100½	SBC	5.163
World Bank♦	150	2003	-	5	100¼	Credit Suisse	4.976
Hogy Medical Co.★★♦	12	1993	-	4½	100⅛	Fuji Bank (Schweiz)	4.472
Yasuda Tst & B'ing§★★	100	1992	-	(½)	100	Credit Suisse	★
STERLING							
Alliance & Leicester♦	50	1998	8	(g)	100	Merrill Lynch	-
ECUs							
Total♦	50	1993	5	7⅝	101½	Commerzbank	7.257
FRENCH FRANCS							
Michelin§♦	1.5bn	1998	9½	6	100	Banque Paribas	6.000
LIRE							
EIB♦	150bn	1996	8	10¾	101½	B.Comm. Italiana	10.464
PESETAS							
World Bank♦	10bn	1998	10	10⅝	100	Bilbao Merchant Bank	10.625
YEN							
Bergen Bank (b)‡♦	5bn	1993	5	10bp	101⅞	Nippon Credit Int.	-
Montreal Trust Co.♦	5bn	1993	5	(c)	101⅞	Merrill Lynch	-
Kansallis-Osake-P.★★‡♦	5bn	1992	4	(d)	101½	Mitsubishi Trust Int	-
Kansallis-Osake-P(e)★★‡♦	5bn	1992	4	50bp	101½	Mitsubishi Trust Int	-
Sparekassen SDS‡♦	5bn	1993	5	(f)	100.10	LTCB Int.	-

★Not yet priced. ★★Private placement. ‡Floating rate note. ΦWith equity warrants. §Convertible. ♦Final terms. (a) Coupon: 17% converted into Danish crowns less 5.55%, expressed in D-Marks - interest paid in US$. (b)10bp over Japanese long-term prime rate. (c) Coupon: 2⅛% first 2 years, 7% remainder. (d) Coupon: 8.66% less Japanese long-term prime rate (e) 50bp over Japanese long-termprime rate. (f) Coupon: Semi-annual equivalent to fixed floating rate yen swap rate less 30bp. (g) Variable rate notes: quarterly in advance - reset margin over 3m Libor. First 3 months 35bp. Note: Yields are calculated on AIBD basis.

Montupet plant creates 600 jobs

By Robert Gibbens in Montreal

MONTUPET, THE French car parts maker, is building a C$112m (US$93m) engine castings plant on the Quebec-Ontario border, with a staff of more than 600.

Both the Federal and Quebec Governments are providing financial aid. The new plant will compete in the North American market.

Poulenc raises FFr5.54bn in new capital

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

RHONE-POULENC, the French state-owned chemicals group, has raised about FFr5.54bn ($903m) in new capital through the issue of what it calls perpetual subordinated capital notes.

The issue, arranged by Merrill Lynch International, was placed with more than 75 international institutional investors.

According to Rhône-Poulenc, the "highly innovative" transaction involves the issue of perpetual notes by the company, which are purchased and repackaged by Merrill Lynch, and privately placed as a 15-year investment. The statement is not explicit about how this is accomplished, but it is thought to involve the use of zero-coupon bonds.

Rhône-Poulenc will pay a margin over Libor that, according to its statement, "reflects the perpetual nature of the issue and the subordination of interest payments." The effective cost was more competitive than any alternative form of equity financing, the company said.

Mr Pierre Bérégovoy, the new French Finance Minister, favours state companies raising funds from the capital markets as long as this does not alter their state ownership.

BANCO DI SANTO SPIRITO

FOUNDED IN 1605 — Registered and Head Office in Rome

1987 BALANCE SHEET

Assets	(lire billion)	Liabilities	(lire billion)
• Cash & Funds with Central Bank	2,220.5	• Capital, other funds, profit brought forward	1,034.1
• Securities & other holdings	5,855.1	• Third parties funds	19,125.9
• Portfolio, lending to customers and contango loans	11,430.8	• Provisions & other funds	319.5
• Other	2,549.2	• Other	1,529.5
• Contra accounts	31,144.0	• Net profit for the year	46.6
		• Contra accounts	31,144.0
	53,199.6		53,199.6

The Meeting of Shareholders – held in Rome under the chairmanship of Dr. Rodolfo Rinaldi, – has approved the balance sheet at 31st December 1987 which, after appropriations to provisions and other funds of lire 190.1 billion, closes with a profit of lire 46.6 billion.
The Meeting, having heard the report of the Board of Directors and the comments offered by the Managing Director Avv. Elio Tartaglia, resolved to increase reserves by lire 25 billion and to pay lire 21 billion to the Shareholders. Following such resolutions, capital and other funds of the Bank amount to lire 1059.4 billion.
Funds administered amount to lire 19,100 billion, of which lire 11,929 from Customers, an increase of 8.3%.
Total lending equals lire 11,430 billion. Customer lending, within the ceiling fixed by the monetary authorities, increased to lire 5,873 billion (+ 2.7%). Contingent liabilities grew by 22.6% to lire 1,852 billion.
International activity has again shown a remarkable growth; liabilities and assets in foreign currencies grew respectively by 39.1% and 26.8%. On a consolidated basis with Banco di Santo Spirito (Luxembourg) S.A., foreign currency deposits reached US$ 6.2 billion.
In January 1987 the Padova branch was opened, and the Modena one will be opened shortly, together, within the year, with New York.

This announcement appears as a matter of record only.

Elders IXL

Elders IXL (Finance) PLC
Elders IXL Treasury (Aust.) Limited
as Issuers

Guaranteed by
Elders IXL Limited

U.S. $500,000,000

Euro-Commercial Paper and
Sterling Commercial Paper Programme

Dealers for Euro-Commercial Paper:

Bank of America International Limited — Chase Investment Bank

Citicorp Investment Bank Limited — Credit Suisse First Boston Limited

Societe Generale

Dealers for Sterling Commercial Paper:

Barclays de Zoete Wedd Limited — County NatWest Limited

Samuel Montagu & Co. Limited

Issuing and Paying Agent:

The Chase Manhattan Bank, N.A.

Arranger:

Chase Investment Bank

May, 1988

SOCIETE GENERALE
French "Societe Anonyme"
Capital : French Francs 1,701,153,000
Head Office : 29, boulevard Haussmann - 75009 PARIS - FRANCE
Commercial Register : PARIS B 552 120 222

I - The General Meeting of the holders of step-up notes (1987-1992) in yen issued by SOCIETE GENERALE, held on June 27, 1988, has appointed :

- as permanent representatives :
. M. Germain GIRAUD, 51, rue Saint-Roch - 75001 PARIS (France).
. M. Jean-Luc DELMAS, 6, rue Beatrix Dussane - 75015 PARIS (France).

- as substitute representatives :
. M. Michel HERISSART, 11, clos de la Tournelle - 78620 L'ETANG-LA-VILLE (France).
. M. Paul BOYER, 6, allée du Coudrier - 91330 YERRES (France).

II - The General Meeting of the holders of 9% notes (1987-1992) in sterling pound issued by SOCIETE GENERALE, held on June 27, 1988, has appointed:

- as permanent representatives :
. M. Michel HERISSART, 11, clos de la Tournelle - 78620 L'ETANG-LA-VILLE (France).
. M. Paul BOYER, 6, allée du Coudrier - 91330 YERRES (France).

- as substitute representatives :
. Mrs Nancy TEITELBAUM, 6, rue de la Reine Blanche - 75013 PARIS (France).
. M. Germain GIRAUD, 51, rue Saint-Roch - 75001 PARIS (France).

The Board of Directors

WARDLEY GLOBAL SELECTION
Societe d'Investissement a Capital Variable
2, boulevard Royal, Luxembourg
R.C. Luxembourg B - 25067

Notice is hereby given to the shareholders, that the
ANNUAL GENERAL MEETING
of shareholders in WARDLEY GLOBAL SELECTION will be held at the company's registered office, 2, boulevard Royal, Luxembourg, on Friday, 29th July, 1988 at 11.00 a.m. for the purpose of considering and voting upon the following agenda:

1. Submission of the reports of the Board of Directors and of the Statutory Auditors;
2. Approval of the Statement of Net Assets at March 31st, 1988 and of the Statement of Operations for the year ended March 31st, 1988; allocation of the profits;
3. Discharge of the Directors and the Statutory Auditors;
4. Receipt of and action on nomination of the Directors and the Statutory Auditors;
5. Miscellaneous.

The shareholders are advised that no quorum is required for the items of the agenda of the annual general meeting and that decisions will be taken at the majority of the shares present or represented at the meeting.

In order to attend the meeting of July 29th, 1988 the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with the following banks:

- Banque Internationale a Luxembourg
2, boulevard Royal
LUXEMBOURG

- The Hong Kong and Shanghai Banking Corporation
1, Queens Road Central
HONG KONG

- The British Bank of the Middle East, London
Geneva Branch
Rue du Rhone.23
CH-1204 GENEVA

- The Hong Kong and Shanghai Banking Corporation
P.O. Box 315, Hong Kong Branch
Building, Grenville Street
St. Helier, Jersey.

THE BOARD OF DIRECTORS

UK COMPANY NEWS

Ellis bid moving towards resolution

BY NIKKI TAIT

Ellis & Goldstein is expected to put out a statement later today, concerning the £41m contested cash bid from fellow clothing group, Berkertex Holdings.

Yesterday, the Ellis board spent another day locked in meetings with its merchant bank adviser, Kleinwort Benson.

Stories of a possible "white knight" circulated over the weekend. However, contact has also been made with S. G. Warburg, advisers to Berkertex, with a meeting between the two companies and their advisers taking place last night. This suggests that today's announcement may contain a recommendation for the Berkertex bid.

On Friday, Berkertex raised its cash offer by 46 per cent – to 140p a share – valuing its target at £40.8m, and is unlikely to go any higher. Shares in Ellis closed last week at 138p.

Berkertex has said that the new offer is final, in the absence of a recommendation or the emergence of a rival offer.

Dukeminster for market

BY NIKKI TAIT

Dukeminster, a holding company for the Shohet family's UK commercial property interests, has announced that it intends to come to the main market via a placing at the end of July.

Some £15m will be raised in the placing itself – to be sponsered by investment house BZW – and ahead of this, the company plans to raise a further £25m via an issue of convertible preference shares to American Express and the Shohet family. Net assets of the company, following the placing should amount to some £90m.

Dukeminster's portfolio takes in commercial, industrial and retail property, based principally in London and the South-East.

The company's chairman and chief executive, Mr Saleh Shohet, was previously involved with Hampton Trust, another property group. The Shohet family held about one-fifth of the shares in Hampton ahead of the agreed bid from New Zealand-based Aurora Group last year, and had two board seats. The Aurora stake was subsequently sold to Southend Property Holdings.

Peachey stake

S. G. Warburg, merchant bank advisers to property group Peachey, said yesterday that they were aware of some persistent buying of their client's shares last week but suggested that if any stake had been amassed, it would probably be nearer the five cent level – rather than the 10 per cent suggested in the weekend press.

Last week, Peachey shares – which have been dogged by takeover speculation – rose from 23p to 541p, a high for the year.

Whinney falls

Following the warning given in April, profits of Whinney Mackay-Lewis fell to £740,000 in the year ended April 30 1988. This compares with an adjusted £686,000 for the previous eight months.

Turnover rose to £5.74m (£3.11m). Earnings fell to 8.1p (11.4p).

The final dividend is 2.7p for a total of 4.3p, which was the payment that would have been made last time had the company been listed for the full year.

US stake in NEI offshoot

By Nikki Tait

Combustion Engineering, the Connecticut-based process engineering group, is buying a 35 per cent interest in Derby-based International Combustion, previously a wholly-owned subsidiary of Northern Engineering Industries.

Precise consideration for the deal is not disclosed but, according to NEI, the figure tops £10m.

International Combustion has long-established links with Combustion Engineering, having had a licence arrangment with the American group since the twenties. Combustion Engineering also held a share stake in International Combustion from the late-1950s, which was subsequently exchanged for shareholdings in Clarke Chapman and then NEI itself, as various mergers took place.

In February last year, however, the American company placed out its 18.2m shares – 8.7 per cent – in the Tyneside-based engineering group, but stressed that the trading relationship would continue.

NEI said it did not anticipate any increase in the US group's stake at a later stage.

Evans of Leeds

Evans of Leeds, property investor and developer, raised its pre-tax profit from £5.62m to £6.31m in the year ended March 31.

The dividend is lifted from 4.75p to 5.5p with a proposed final of 3.5p. Earnings worked through at 12.38p (10.9p).

Wintrust ahead

Wintrust, banker, lifted earnings from 25.41p to 27.83p in the year ended March 31, and is raising the dividend from 6.2p to 6.95p with a proposed final of 4.7p.

Group profit moved ahead to £4.16m (£4.01m) subject to tax £1.4m (£1.45m).

BEP rises 31%

The Bristol Evening Post saw profits before tax advance 31 per cent from £4.65m to £6.08m for the year ended March 31.

This increase was posted on turnover up 11 per cent to £53.03m. After tax of £2.18m (£1.68m), earnings were 15.32p (11.92p). A final dividend raised to 6p (5p) makes a total of 9p (7.75p).

Clyde Blowers

After taking account of £66,000 redundancy costs Clyde Blowers, maker of steam and soot blowing equipment, saw pre-tax profits fall from £84,000 to £69,000 in the six months to February 29.

Turnover fell to £1.75m (£1.9m) and earnings per share to 4.8p (5.7p). The interim dividend is held at 0.83p.

Fiona Thompson looks at the £27.4m offer by Telfos for Walter Runciman

Unwelcome suitor rocking the boat

IT IS a classic fight. In one corner the tall, patrician figure of the Honorable Walter Garrison Runciman, fellow of Trinity College, Cambridge and chairman of the business founded 101 years ago by his great grandfather, the first Lord Runciman, tramp ship owner.

Facing him is Mr Jo Malins, a self-described upstart who left school with two A-levels, qualified and practised as a chartered accountant until boredom propelled him into being a director of public companies, and for the past two years chief executive of Telfos Holdings. Mr Malins has now decided that the company he wants to direct is Walter Runciman, the much changed descendant of that original tramp steamer business.

Telfos in June launched a £27.4m cash and shares bid for Runciman, after building up a 24.5 per cent stake during May, and Wednesday is the first closing date for acceptances. Mr Garry Runciman has responded angrily to the bid, accusing Telfos of blatant opportunism in trying to buy his company just as it is moving from recovery to a period of strong growth.

The unwelcome approach accounted for the air of tension at Runciman's annual meeting last month. It was, in the event, conducted in the sort of respectful and measured manner familiar to the 87-year-old 2nd Viscount Runciman of Doxford, who was present to hear his only son and heir rule out any discussion of the matter on every mind. No one was to rock the boat.

Certainly, on the face of it, there is not much industrial common ground between the two companies.

Telfos is a diversified engineering company. For many years a Midlands metal basher, in May last year its profile changed with the acquisition of a locomotive manufacturer. Runciman is still in shipping, owning six liquified petroleum gas carriers and a substantial warehousing business in Scotland, but also has a security side which makes safes, and an insurance division.

Financially, analysts agree with Garry Runciman that the Telfos bid appears somewhat opportunistic. For every two Runciman shares, Telfos is offering a unit comprising three ordinary shares, one new cumulative redeemable preference share and 20p in cash. The offer values Runciman shares at 312p, against its closing price on Friday night of 334p. There is a cash alternative of 300p.

When Telfos first bought Runciman shares on May 4 the price was 219p. By the time it declared the 24.5 per cent stake the price had risen to 318p and lifted to 338p when the bid was formally launched.

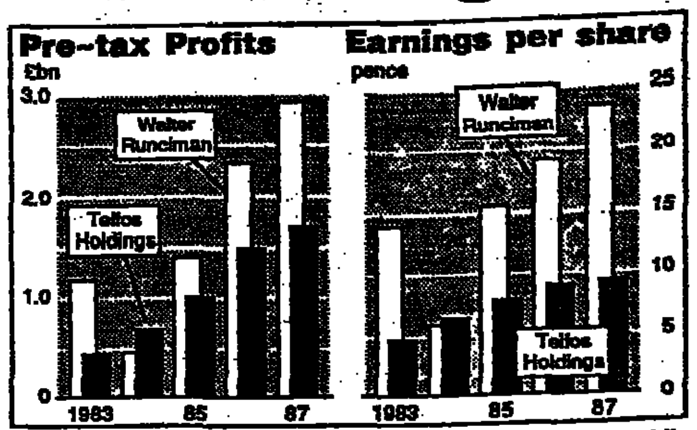
According to analysts, Runciman's asset backing is substantially higher than the offer, closer to £4 per share. "The fleet alone is worth about $35m (£20m)," says Mr Robert Havard, shipping analyst at James Capel. "Telfos may just be bargain hunting."

Certainly Mr Malins is not adverse to buying and selling stakes to make a profit - in April he bought just over 5 per cent of Baldwin, the Nottingham-based property, clay and concrete products group and sold it eight weeks later.

Telfos is likely to make an extraordinary profit of £4m this year having granted Polly Peck International, the trading and consumer electronics group, an option to buy its 20 per cent holding in CDS, a Californian industrial holding company quoted on Nasdaq. Telfos bought the stake just last July for $6.5m and the option, exercisable this September, is for $13.2m.

Malins has rarely stopped for breath since he took over as chief executive of Telfos in July 1986, having been on the sidelines for a number of years as a non-executive director.

The company emerged from the remains of Charles Clifford Industries, a Birmingham based manufacturer of non-ferrous metal products and metal spraying equipment which ran into difficulties in the 1980s after operating for over 100 years. After Telfos took over as holding company in 1981, overheads were cut and the company saw steadily rising profits



The management had been itching to expand via acquisition but had been held back by the Chillington Corporation, which held a 57 per cent stake it did not want to see diluted. This restriction was lifted when Chillington reduced its shareholding to 15 per cent in May last year and Malins barely waited for the ink to dry before jumping. His target was Hunslet, a Leeds based engineer manufacturing diesel locomotives and fork lift trucks.

The acquisition has been an extremely successful one. Just a few months after the purchase Hunslet won a £15m order to provide 60 locomotives and spare parts for the Channel Tunnel, to take the machines and men to the face and carry the rock out.

Over half of Hunslet's sales come from making locomotives for British Coal to transport miners, it also provides 60 tonne shunting locos for the British Army and diesel railbuses for British Rail.

"Runciman is the next logical step in the development of Telfos," says Malins. "Our balance sheets are a good fit. Runciman is a company that cries out for more positive, enterprising management. Its record is not impressive, the book value of assets is unchanged over the past five years. They can claim hard luck stories but we feel we can do better."

Capel's Robert Havard, while stressing that Runciman has taken positive action in recent years and has put the bulk of its problems behind it, agrees that the record over the years has not been marvellous.

"The massive downturn in shipping beset Runciman as it did the rest of the industry, and there were problems on the security side resulting in a series of losses."

Shipping remained pretty much Runciman's sole interest until the 1960s, the company was known as Moor Line until 1967, its traditional activity dry cargo tramp shipping. After suffering severe losses in the second world war the company had set about gradually rebuilding its fleet, selling its last steam ship - Rosemoor - in 1952 and replacing it with the first of its new motor ships.

But the sudden, steep drop in freight rates in the spring of 1957 heralded what was to come and Viscount Runciman issued a prescient warning at the annual meeting in June 1958: "It may well be that there are now more tramp ships afloat than the traders of the world will need for some time to come."

The move into security, with the acquisition of the John Tann safe making business, was not without problems, especially by the early 1980s. "There was overcapacity in the market and Runciman was producing too much of the wrong thing," says Mr Mark McVicar, shipping analyst at County NatWest WoodMac. The company was manufacturing safes and vault doors at a time then the industry was shifting away from the traditional physical side.

At the same time the shipping market remained seriously depressed. In 1983 Runciman bit the bullet, halving its security business with the closure of one factory and write-off costs of £1.3m.

"We took the full brunt of what we had to do," says Garry Runciman. "It was a long and painful business." At the same time, he took the group entirely out of tramp shipping, getting rid of all the bulk carriers, and moved into the specialised LPG market.

"Since then we have moved from recovery to sustained organic growth," he says, an opinion some analysts concur with, others not. Pre-tax profits have risen from £1.4m for the year to December 31, 1985, to £2.9m in 1987, earnings per share from 15.7p to 23.5p. The City is looking for pre-tax profits of about £3.5m this year.

Mr Michael Badeni, private client director at brokers Henderson Crosthwaite, says Runciman was never going to be a walkover - the family and directors hold a 33 per cent stake - but reckons that Telfos might win if a white knight does not appear. Mr Havard at Capel discounts the likelihood of a white knight but still thinks Runciman will fight off the threat.

"Certainly Telfos does not have a starting chance at under £4. And if Telfos is just bargain hunting, it may just go away."

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
* Asda	July 11	Final 2.13	GUS	July 23	Final 18.5
* Assoc.Newsp	July 14	Inter 2.0	* Howden Group	July 12	Final 2.57
* Barclays	July 27	Inter 12.75	* ICI	July 28	Inter 26.0
* Dee Corp	July 25	Final 5.0	* Lloyds Bk	July 29	Inter 8.6
* Dixons	July 13	Final 2.8	* Midland Bk	July 27	Inter 11.5
* EMAP	July 18	Final 2.13	* NatWest Bk	July 28	Inter 13.5
* Ferranti	July 14	Final 1.34	* Rank	July 14	Inter 7.25
			* Reuters	July 25	Inter 2.3

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

A & M Group 10% Conv. 1998 (Section: Leisure).

AMEC Conv. Red. Pref. shs. (Buildings).

BBA Group 6.75% Cum. Red. Conv. Pref. (Industrials).

Handley-Walker Group (Industrials).

Harding Group (Industrials).

Isopad International (Electricals).

Pennine Optical (Third Market).

Thorntons (Foods).

Baker Harris

Baker Harris Saunders, real estate and property adviser, returned a pre-tax profit of £3.42m for the year to April 30. The result was incorrectly stated on these pages on Thursday.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Berkeley Govett, Consolidated Tern Inv, Erode Group.

Finals- Asda, Batleys, Carclo Engineering, Creighton Laboratories, Ellis and Everard, Joseph(Leopold), Knobs and Knockers, Sandell Perkins, Sekers Int'l, Stocklake.

FUTURE DATES

Interims-	
Commercial Union	Aug 10
Evans Halshaw	Aug 23
Greggs	July 28
Hickson Int'l	Aug 4
Royal Insurance	Aug 17
Unilever	Aug 15
Finals-	
Adscene	July 19
BTS	July 28
LIT	July 15
London Securities	July 18
Prism Leisure	July 28
Ransom (William) and Son	July 14
Sutcliffe Speakman	July 28
Wood (SW)	July 14

FINANCIAL TIMES STOCK INDICES

	July 8	July 7	July 6	July 5	July 4	July 1	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.90	88.02	88.08	88.17	87.54	87.82	91.43	86.97	127.4	49.18
Fixed Interest	97.38	97.11	97.42	97.36	97.53	97.53	98.67	94.14	105.4	50.53
Ordinary	1506.8	1484.2	1494.3	1485.3	1478.3	1485.1	1506.8	1349.0	1926.2	49.4
Gold Mines	221.6	218.5	214.7	213.5	213.1	208.4	312.5	195.4	734.7	43.5
FT-Act All Share	973.43	963.20	969.43	962.35	958.24	963.88	973.43	870.19	1238.57	61.92
FT-SE 100	1877.2	1855.5	1870.0	1854.8	1848.0	1858.2	1879.3	1694.5	2443.4	986.9

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any shares.

OPTIM GROUP PLC

(Incorporated in England under The Companies Acts 1948–1985 No. 1661825)

PLACING BY CONTINENTAL SECURITIES (U.K.) LIMITED of 4,000,000 Ordinary Shares of 10p each at 60p per share payable in full on application

Share Capital

Authorised		Issued or to be issued fully paid or credited as fully paid
£2,000,000	In Ordinary Shares of 10p each	£1,191,098

Optim Group PLC specialises in the supply, installation and servicing of software and hardware computer products for selected vertical markets.

Application has been made to the Council of The Stock Exchange for the whole of the issued share capital of Optim Group PLC to be dealt in on the Unlisted Securities Market.

Details relating to Optim Group PLC and the above shares are available in the statistical services of Extel Statistical Services Limited. Copies of the Placing Prospectus may be obtained during the usual business hours on a weekday (Saturdays and public holidays excepted) up to and including 1st August, 1988 from:

Continental Securities (U.K.) Limited, 7 Birchin Lane, London EC3V 9BY.

Spencer Thornton Northcote, Veritas House, 119 Finsbury Pavement, London EC2A 1JJ.

Members of the Securities Association. Corporate Members of the International Stock Exchange.

11th July, 1988

The Hongkong and Shanghai Banking Corporation

(Incorporated in Hong Kong with limited liability)

U.S.$400,000,000

PRIMARY CAPITAL UNDATED FLOATING RATE NOTES (THIRD SERIES)

Notice is hereby given that the Rate of Interest has been fixed at 8.1875% and that the interest payable on the relevant Interest Payment Date October 11, 1988 in respect of $5,000 nominal of the Notes will be $104.62 and in respect of $100,000 nominal of the Notes will be $2,092.36.

July 11, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

Lloyds Eurofinance N.V.

(Incorporated in the Netherlands with limited liability)

£50,000,000

Guaranteed Sterling/US Dollar Payable Floating Rate Notes due 1990

For the six months July 8, 1988 to January 9, 1989 the Notes will carry an interest rate of 10.625% p.a. Coupon Amount of U.S.$53.85 payable on January 9, 1989 against Coupon No. 17.

Citibank, N.A. (CSSI Dept) London, Agent Bank

YOGOKAWA ELECTRIC CORPORATION

dfls. 100,000,000 3 3/8 per cent. convertible notes due 1990 subscribe for shares of common stock of

Yogokawa Electric Corporation

To the holders of the above-captioned warrants:

You are hereby notified that, as a result of a free distribution of shares of common stock of Yogokawa Electric Corporation to the shareholders of record as of 30th June, 1988, japan time, at the rate of 0.11 shares for each share held, the subscription price of the above-captioned warrants will be adjusted pursuant to condition 7 of the warrants under the instrument dated 10th August, 1987 from yen 1,340 to yen 1,207.2 per share, effective as from 1st July, 1988, japan time. The date of issue of the shares to be issued upon such free distribution is 18th August, 1988.

Yogokawa Electric Corporation

De Trustee:
AMSTERDAMSCH TRUSTEE'S KANTOOR B.V.

The Council of Europe Resettlement Fund

for National Refugees and Over-Population in Europe Strasbourg/Paris

DM 250,000,000.–

Floating Rate Notes with Interest Option 1988/1996

Interest Rate: 4 13/16 % per annum

Interest Period: from July 11, 1988, to Jan. 11, 1989

Interest Amount per DM 10,000.–: DM 245.97
per DM 100,000.–: DM 2,459.72

Payable on: Jan. 11, 1989

Trinkaus & Burkhardt KGaA Agent Bank

EVANS OF LEEDS PLC

PROPERTY INVESTMENT GROUP

★ Pre-tax profit up to £6.31 million (£5.62 million)

★ Final Dividend up to 3.5p (3.125p)

★ Total Investment Property Portfolio £100.28m

Year to 31st March	1988	1987
Profit available for distribution	£5.08m	£4.09m
Shareholders' funds	£60.6m	£45.4m
Dividends paid and proposed	5.5p	4.75p
Earnings per 25p share	12.4p	10.9p

ROYAL TRUSTCO LIMITED

Yen 12,000,000,000 Reverse Dual – Currency Debentures Due 1992

Notice is hereby given that the Rate of Interest has been fixed at 15.01666% and that the interest payable on the relevant Interest Payment Date October 7, 1988 against Coupon No. 3 in respect of Yen 10,000,000 nominal of the Notes will be NZ$1,677.60.

July 11, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

MATUSCHKA & PARTNER AG

Asset Management
Zurich

has acquired 100 % of

PALLERGA TRUST COMPANY SA

Asset Management
Geneva

Matuschka & Partner AG
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8002 Zurich
Tel. 01 202 84 75

Pallerga Trust Company SA
15, Boulevard des Philosophes
1205 Geneva
Tel. 022 20 25 22

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Munich, Berlin, Frankfurt, Hamburg, Cologne, Stuttgart, Atlanta, Bermuda, Geneva, London, New York, Paris, Tokio, Toronto, Zurich

U.S. $400,000,000

The Kingdom of Belgium

Tranche A: U.S. $150,000,000
Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 11th July, 1988 to 11th January, 1989 the Notes will bear interest as follows:
Tranche A at 8 3/16%, interest payable on 11th January, 1989 will amount to U.S.$4,184.72 per U.S.$100,000 Note.

Agent Bank:
Morgan Guaranty Trust Company of New York
London

BANK OF NEW ZEALAND

Cayman Islands Branch

NZ $425,000,000
Floating Rate Notes 1992

For the three months 8th July, 1988 to 10th October, 1988 the Notes will carry an interest rate of 14.24091 per cent. per annum.

Interest payable on the relevant interest payment date, 10th October, 1988 will amount to NZ $183,376.10 per NZ $5,000,000 Note.

Agent Bank:
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This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

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Prestwick Holdings plc

(Incorporated in England and Wales under the Companies Acts 1948 to 1980 Registered No. 1359178)

Placing and Open Offer of 3,010,306 7¼ per cent. Convertible Cumulative Redeemable Preference Shares of £1 each at par

Application has been made to the Council of The Stock Exchange for the 3,010,306 7¼ per cent. Convertible Cumulative Redeemable Preference Shares to be admitted to the Official List.

Particulars relating to the Company have been circulated in Extel Statistical Services. Copies of the Listing Particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 25th July, 1988 from:

Prestwick Holdings plc
Mosshill Industrial Estate
Ayr KA6 6BE

29 Gresham Street
London EC2V 7HN

Noble Grossart Limited
48 Queen Street
Edinburgh EH2 3NR

Speirs & Jeffrey Ltd.
36 Renfield Street
Glasgow G2 1NA

and up to and including 13th July, 1988 from Company Announcements Office, Quotations Department, The Stock Exchange, 46 Finsbury Square, London EC2A 1DD, for collection only.

11th July, 1988

LITTLE MORE than a year ago, John Jarvis, a trim, affable, Oxford-educated mathematician, was running the most profitable division of PA International Consulting Services, a successful London-based consultancy. Today, he is attempting to pilot Mitel, the fallen star of the Canadian high technology firmament, back to profitability after four years in the financial doldrums.

"I have always been something of a risk-taker," he says when asked to explain this somewhat improbable career decision.

Just how big a risk-taker is revealed by a glance at the lamentable recent track record of the company based at Kanata, near Ottawa. Since 1983 – when it last turned in a profit – Mitel has lost more than C$300m. Although the British Telecom (BT)-controlled private branch exchange (PBX) manufacturer scythed net losses in its latest financial year to March 25 to C$24.3m from C$81.5m, further progress will not be made lightly in the still ferociously competitive current PBX market.

Last September, for example, the firm was forced to slash unit prices by up to 20 per cent. This has left the company in what Jarvis terms "the ironic situation of selling more products but getting fewer dollars."

The spectacular nature of Mitel's fall from grace is matched only by its astonishing initial success. Founded in 1973 by two young Britons – Michael Cowpland and Terry Matthews – the company doubled earnings and revenues every year until 1979. At the height of the company's powers in 1980, Matthews even predicted that turnover would top C$1bn by 1985.

But – as so frequently occurs in the fast and fickle high technology sector – this lust to expand eventually undermined the ability of the company's essentially entrepreneurial senior management to control growth in a rational and disciplined way.

In one 15-month period to May 1984, the value of corporate inventories ballooned by 43 per cent. The company suffered a C$32.4m net loss in 1983-84, and has been haemorrhaging red ink ever since. Revenues actually peaked at C$453m in 1986-87.

More than two years after BT's life-saving C$322m cash injection, employees and shareholders continue to suffer the consequences of the company's failure to adapt. In March, Jarvis announced the lay-off of almost 10 per cent of Mitel's international workforce.

The 20-month reign until June last year of Anthony Griffiths – Jarvis's predecessor as president and the company's current chairman – was similarly characterised by plant closures and retrenchment.

When Griffiths handed over to

Telecommunications

A fallen star seeks to regain the firmament

David Owen examines the strategy of Mitel, BT's loss-making Canadian subsidiary

Jarvis, who was billed at the time as "a successor with telecommunications background", he was credited with bringing the company's operations under control and stabilising its financial situation. But BT now privately acknowledges that Mitel is taking longer to turn round than it originally anticipated.

The headline-grabbing redundancies in March were widely interpreted as an indication that BT's patience was wearing decidedly thin.

None the less, Jarvis continues to resist the "quick fix" approach to achieving profitability. There is a difference between getting there by scything R&D expenditure and selling assets, as opposed to addressing fundamental issues and ensuring viability over the medium to long term, he maintains.

According to Jarvis, the recent lay-offs are just one part of a multi-pronged blueprint designed to assure the company's long-term health. In a nutshell, his approach will be better to exploit the BT connection and the company's extensive 100,000-strong installed base in order to capitalise on potentially rewarding niches in the rather sluggish PBX marketplace.

Although the PBX sector in North America may be flat, Jarvis says that telecommunications markets as a whole are clearly expecting significant growth. "We have to be able to build on what we have got to exploit new opportunities."

While he looks for such opportunities, Jarvis has wasted no time in revamping the firm's senior management structure. Nine managers, including the respective heads of the company's semiconductor and telephone manufacturing units, now report directly to him. They include recent recruits from Northern Telecom, Plessey Telecommunications and Polysar, the Canadian petrochemicals producer.

The appointment of Robert Dyer as senior vice president responsible for worldwide PBX marketing and sales has been particularly well received externally. "We have to become more active in selling products," says

The spectacular nature of Mitel's fall from grace is matched only by its astonishing initial success. The company doubled earnings every year from 1973-79, but it has been loss-making since 1984. None the less John Jarvis (right) continues to resist the "quick fix" approach

Jarvis. "We used just to push boxes out without remembering who we pushed them to."

Crucial to this new orientation is Mitel's relationship with the dealers who act as middlemen between the company and its end-users. As the industry has moved to selling more add-on features and improvements to its existing installed base, the company's rather slapdash approach to dealer relations (in stark contrast to the tight arrangements established by many of its rivals) has been exposed. This has been a particularly serious problem in the key US market which accounts for nearly 45 per cent of the company's sales.

Jarvis had hoped that the acquisition from General Electric of RCA Telephone Systems, one of Mitel's principal US distributors, would do much to solve this problem. The two parties signed a memorandum of intent on the proposed transaction in January. Last week, however, the still unconsummated agreement was abruptly terminated for undisclosed reasons.

In the meantime he has instigated a programme to encourage dealers to participate in product definition and direction, and initiated a series of interviews involving senior management, dealers and end-customers. "Over the past two to three years we haven't been as active (in this area) as we should have been," he says.

Jarvis sets great store by what he terms "product migration" as a means of effectively exploiting the niches which are eventually pinpointed. This process involves adapting existing models so as to expand the firm's available product range without going back to first principles.

Since 1984, Mitel has catered for all sections of the PBX market with a range which stretches from the SX-10 and SX-20 analog up-to-48-line systems to the SX-2000 family, capable of handling between 400 and 4,000 lines. The SX-200 series covers the mid range 100- to 400-line market. Starting in April 1987, the company's sub-100-line product range in North America was complemented by the SX-50, a compact model offering limited data capability.

An example of "product migration" at work came to fruition with the launch last October of the GX5000 digital switch, an enhancement of the established SX-2000 product line, which represents Mitel's attempt to break into the smaller-sized market (with capacity of up to 2,000 lines).

"While PBX customers have been upgrading their systems, small public jurisdictions have been lagging," says Jarvis, in explanation of the company's decision to target this market niche. Mitel expects the product to sell well in sparsely-populated areas of North America, as well as in the Third World.

Selecting and exploiting given geographical areas where faster-than-average growth is expected is another method by which Jarvis is seeking to sidestep the general flatness in the PBX arena.

Clearly, this is one way in which the BT link could prove to be an invaluable asset. "We have the products; they have the channels," as Jarvis puts it.

Not surprisingly, Europe, which is set for steady if unspectacular sales growth of some 16 per cent over five years, according to a recent Logica report, figures large in the company's ambitions.

Excluding the UK, the Continent accounts for less than 5 per cent of Mitel's overall sales. Italy, West Germany and Scandinavia have been singled out as particularly happy hunting grounds. "The UK (where 25 per cent of Mitel's revenues are generated) was to the fore in replacing its installed base," Jarvis points out. But that is now coming to a close. Some other countries like Italy have been lagging behind."

Certainly Sweden would appear to present a distinct window of opportunity for foreign manufacturers. Televerket's long-standing PBX monopoly stands to be abolished by the end of the decade and some 60 per cent of small companies (Mitel's traditional strength) are still using outdated analog equipment.

The company has also been encouraged by the SX-50's success in securing regulatory approval to instal the equipment in West Germany at the first time of asking. "The interesting thing about Europe is 1992," concludes Jarvis. "As Europe becomes a single market, we foresee a subtle shift (in Mitel's concentration of sales) from the UK to continental Europe."

In addition to the obvious initial tonic to Mitel's balance sheet, the BT tie-up is also aiding the Canadian company by providing a wide-ranging product and technology resource in fields like fibre optics, which it can tap into when bidding for business, and by occasionally placing specialised senior staff at its disposal for short periods.

A further fillip has been provided by a BT commitment to provide C$60m over three years for a SX-2000-related research and development programme. In the most recent financial year, this enabled Mitel to reduce its own R&D expenditure by a hefty C$17.8m.

Finally, the terms attached to the BT deal by the UK government come up for review at the end of this year. Should the joint marketing and sales restrictions imposed as part of this be lifted, it could provide Mitel with what Jarvis terms "a huge shot-in-the-arm."

"In the past, we have had the nonsensical situation where some of our competitors have been able to joint-market with BT and we haven't," he continues.

Because of the restrictions, the volume of product sales which Mitel is permitted to make to its UK parent has been capped at the level attained in the year before the deal was struck.

So, while Jarvis shows every sign of bringing to bear an eminently sensible approach to Mitel's problems, the company is far from out of the woods. In AT&T, IBM and Northern Telecom it faces the stiffest of competition in the critical North American market. Furthermore, the unfavourable supply-demand environment shows scant sign of significant recovery just yet.

The company's latest set of results contained both positive and negative signals. Sales revenue from the group's fully digital products was up a sharp 70 per cent from a year earlier, despite softening market conditions.

But sales of analog products will almost certainly continue to decline. "Our main products will increasingly be digitals," says Jarvis.

In all probability, much will depend on the accuracy of the president's assertion that "as far as preparedness for Integrated Digital Service Network (ISDN) is concerned, we feel we are in a very strong position."

The stark divergence of opinion as to the company's future prospects is best illustrated by two conflicting analysts' reports. Toronto-based McLeod Young Weir included Mitel in its top ten Canadian share picks for 1988. "Exclusive of extraordinary or unusual charges, Mitel is expected to show a pre-tax profit of between 15 and 20 cents a share in 1987-88," according to McLeod analyst, Robert Tang.

Value Line's Robert Martorala, however, is much less glowing. "Mitel doesn't have the economies of scale to compete in that market," he says. "Industry prospects are uncertain at best and Mitel's own niche in small to medium PBXs may prove tough to defend against the continual onslaught from well-capitalised telecommunications giants."

The added value of guarantees

Michael Skapinker explains how service companies can benefit themselves and their customers

BUGS BURGER BUG Killers, a Miami-based pest extermination company, offers an unusual guarantee. Not only will it give dissatisfied customers a refund – it will also pay for the job to be done by an extermination company of the customer's choice.

Few service companies are prepared to go as far as BBBK. Many offer no guarantees at all, claiming that they are only appropriate for manufactured goods.

"It is one thing to guarantee a camera, which can be inspected before a customer sets eyes on it and which can be returned to the factory for repairs. But how can you pre-inspect a car tune-up or send an unsuccessful legal argument or bad haircut back for repair? Obviously you can't," says Christopher Hart, an assistant professor at Harvard Business School.

Hart argues, however, that this does not mean that guarantees can never be used in the service industries. The delivery company Federal Express, for example, undertakes that goods will arrive at their destination "absolutely, positively by 10.30 am."

Writing in the latest edition of the Harvard Business Review, Hart says that by offering guarantees, service companies can gain a significant advantage.

Guaranteeing a service encourages the company to try to find out what the customer wants. It also enables the company to set clear standards of performance for its managers and staff. If the company guarantees delivery within three days, then salespeople know that is what they can promise their customers.

A guarantee generates customer feedback. Many customers do not complain about service standards because their grievance is often so difficult to prove. "The customer believes the waiter is rude; perhaps the waiter will deny it," says Hart.

This absence of complaints does not help service companies in any way. The customer simply goes to a competitor, leaving the first company with no real idea of why it lost the business.

An additional problem is that the customer might not know to whom to complain. "Often, complaining directly to the person who is rendering poor service will only make things worse," Hart says. By offering a guarantee – for example that all restaurant customers will be served within 15 minutes and with courtesy – companies give customers both a standard by which to judge them and an indication that senior management will take their complaint seriously.

A guarantee can also assist the company's marketing. Promising dissatisfied customers some redress helps to reduce the risk they take in deciding to purchase the company's service. It also helps build customer loyalty.

To be effective, Hart says, service company guarantees need to be properly thought out. A good guarantee has five characteristics:

- It is unconditional. Customers should not need a lawyer to explain the guarantee to them. "A service guarantee loses power in direct proportion to the number of conditions it contains," Hart says. He approvingly describes a retail and mail order organisation in Maine which guarantees "100 per cent satisfaction in every way." Customers can return goods at any time and receive their choice of a replacement, refund or credit.
- A good guarantee is easy to understand and communicate. The company should be precise about what it is promising: "service within five minutes" rather than "prompt service".
- The guarantee should address those aspects of service which are important to the customer. Hart cites a restaurant chain which promises service within 15 minutes at lunchtime, when customers are in a hurry. The chain does not make the same offer at less-hurried dinner time.
- Dissatisfied customers should be offered significant compensation. The pay-out, Hart says, "should be large enough to give customers an incentive to invoke the guarantee if they are dissatisfied."
- The guarantee should be easy to invoke and the payout should be easy to collect. "A customer who is already dissatisfied should not have to jump through hoops to invoke a guarantee; the dissatisfaction is only exacerbated when the customer has to talk to three different people, fill out five forms, go to a different location, make two telephone calls, send in written proof of purchase with a full description of the events, wait for a written reply, go somewhere else to see someone to verify all the preceding facts, and so on," Hart says.

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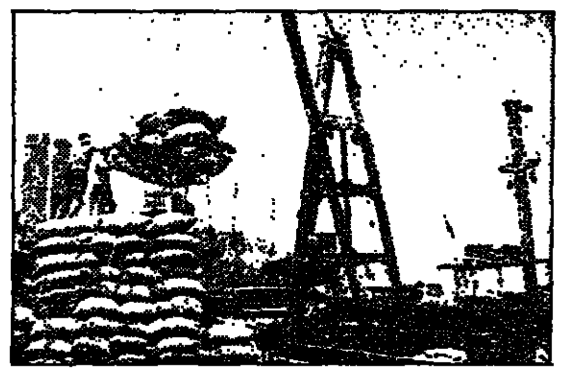

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CJ847

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

International Trusts					
Amer Spec Sits	5 62.56	62.56	66.62	1.49	40073
European Growth	5 18.33	18.33	19.52	1.28	40074
International	5 92.93	92.93	98.97	1.00	40075
Japan	5 140.4	140.4	149.5	0.01	40076
Pacific	5 222.4	222.4	236.8	0.19	40077
Secs of America	5 186.9	186.9	199.0	1.02	40078
W'wide Asset Val	5 26.72	26.72	28.45	1.05	40079
Specialist Trusts					
Asset Value	5 319.3	322.0	342.9	2.90	40080
Conv & Gilt	5 39.63	40.19	42.80	5.02	40081
Smaller Co's	5 170.5	170.5	181.5	2.22	40082
2nd Smaller Co's	5 195.5	195.5	208.2	1.89	40083
Recovery	5 101.8	101.8	108.4	2.88	40084
Met Min & C'dty	5 111.9	111.9	119.1	1.39	40085
O'seas Earnings	5 210.0	210.0	223.6	3.13	40086
Technology	5 88.72	88.72	94.48	1.37	40087
UK Special Sits	5 263.7	263.7	280.8	2.57	40088

Bishopsgate Progressive Mgmt Co (1200)F
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc	5 £15.58	£15.90	16.78	1.26	40168
Progressive Acc	5 £21.87	£22.31	23.55	1.26	40169
International Inc	5 £16.22	£16.22	17.12	1.68	40170
International Acc	5 £20.12	£20.12	21.23	1.68	40171
Can & Foreign Inc	5 188.8	188.8	199.3	0.92	40173
Can & Foreign Acc	5 210.4	210.4	218.6	0.93	40174
Special Sits Inc	5 162.7	162.7	172.2	2.39	40175
Special Sits Acc	5 162.7	162.7	172.2	2.39	40176

Brewin Dolphin Unit Tst Mgrs Ltd (0905)F
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital	5½ 183.1	194.2	206.5	1.52	40177
Brewin Dividend	5½ 98.37	102.9	109.4	5.71	40178
Brewin Int.Gth Inc	5½ 208.3	218.9	232.8	3.52	40179

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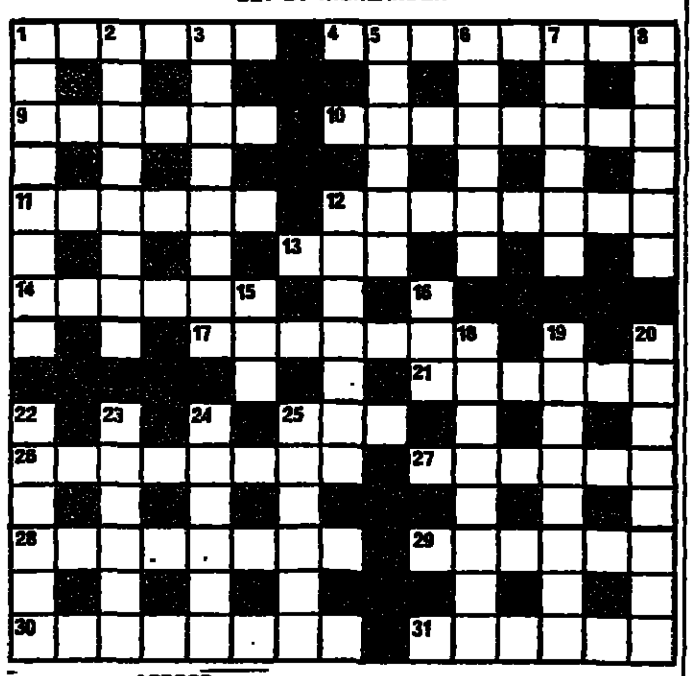

ACROSS
1 The charm of getting married next to racecourse (6)
4 Fixed point in stronghold (8)
9 Note sounded by male vocalist (6)
10 Faint loss of electrical power (8)
11 Distillation equipment is the answer (6)
12 Battery provides small group of people with power source (4,4)
13 Pocket what's been staked already (3)
14 Displays left in ship (6)
17 Go after organ's range of perceived sound (7)
21 Storm damage? (6)
25 You'd ask in vain to have travel over snow included (9)
26 Live on not much and get run down (8)
27 Would rather give promotion (6)
28 Get free: when outside look for piece of meat (8)
29 Red and gold flame (6)
30 Nest part possibly, church part certainly (8)
31 She's put some publicity in for curtains (6)

DOWN
1 Hair is inferior to thick padded material for bedding (8)
2 Approval is given by society: I cannot go wrong (8)
3 Exaggerate frequency of deliveries (8)
5 Nobody working to maximum capacity (3,8)
6 Get to grips with equipment (6)
7 Wears away English motorways, it's said (6)
8 Take up residence in North Yorkshire (6)
12 Abandon in favour of interest (7)
15 Spotted hand tool was upside down (3)
16 Group of observers initially see fabulous bird (3)
18 Hot, disorganised, crude but painstaking (8)
19 Supporting cast is extensive (8)
20 Moving south, making sense of one's relative position (8)
22 Sailor posted missing (6)
23 Girl reveals Clay's new name to American intelligence (6)
24 Where part of audience sits in hedges (6)
25 Make mistake bringing up students (4,2)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday July 23.

[illegible]

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of last Friday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out last Friday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 01-370 0860						
American Eagle	5	64.66	64.66xd	69.25	1.19	41482
Australia	5	8.288	8.288	8.849	0.10	41483
Commodity	5	81.27	81.27	87.33	1.03	41484
Convertible	5	149.2	149.2	160.6	5.44	41485
Equity	5	150.7	150.7xd	161.7	3.04	41486
Euro Spec Sits	5	79.84	79.93	85.98	1.26	41487
Financial	5	32.06	32.36	35.02	1.80	41488
Global Opps Inc	5	58.15	58.33	62.74	1.38	41489
Global Opps Acc	5	58.15	58.33	62.74	1.38	41490
Gold Income	5	57.02	57.02	61.17	0.81	41491
Gold Acc	5	105.0	105.0	112.7	0.81	41492
Income	5	107.9	109.0xd	117.1	4.61	41493
Japan	5	120.3	120.3	129.1	0.10	41494
Pacific Income	5	116.1	116.1	124.5	0.85	41495
Pacific Rr Inv	5	144.0	144.0	154.4	0.85	41496
Preference Share	5	24.76	24.90xd	26.78	6.82	41497
Special Sits	5	102.9	102.9	110.6	0.56	41498
Technology	5	42.87	42.87	46.22	0.10	41499
UK Capital	5	92.00	92.50	99.50	1.23	41500
World Income	5	52.23	52.23xd	55.95	5.07	41501
Worldwide Capital	5	148.6	148.7xd	159.8	1.12	41502
Equity Exempt	5	114.4	114.4xd	123.1	1.48	41503
Equity Exempt Acc	5	217.2	217.2	233.6	1.48	41504
Templeton Investment Mngmt (1000)						
20 Copthall Avenue, EC2R 7PA. 01-588 6064						
Intl Pen & Ch'ties	2	90.66	91.67	95.50	–	41505
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	40.60	40.60	43.14	1.28	41506
(Accum Units)	5	41.48	41.48	44.07	1.28	41507
European Opps	5	42.99	43.06	45.93	1.02	41508
(Accum Units)	5	43.12	43.29	46.18	1.02	–
Far Eastern Opps	5	88.11	88.11	93.62	0.44	41509
(Accum Units)	5	88.39	88.39	93.91	0.44	41510
Golden Opps	5	37.09	37.09	39.41	1.13	41511
(Accum Units)	5	37.34	37.34	39.67	1.13	–
Intl Hi-Yield	5	46.21	46.21	49.10	4.01	41512
(Accum Units)	5	46.68	46.88	49.60	4.01	–
Japanese Opps	5	59.64	59.64	63.37	0.89	41513
(Accum Units)	5	59.64	59.64	63.37	0.89	41514
Kangaroo	5	34.77	34.77	36.94	1.21	41515
(Accum Units)	5	34.97	34.97	37.16	1.21	–
Oriental Income	5	29.71	29.71	31.57	1.96	41516
(Accum Units)	5	30.22	30.22	32.11	1.96	41517
Pacific Technology	5	55.53	55.53	59.00	0.00	41518
(Accum Units)	5	55.53	55.53	59.00	0.00	41519
Tiger	5	88.08	88.08	93.99	0.47	41520
(Accum Units)	5	88.88	88.88	94.44	0.47	41521
UK Hi-Yield	5	40.54	41.15	43.72	8.55	41522
(Accum Units)	5	43.85	44.50	47.28	8.55	–
UK Opps	5	47.09	47.09	50.15	1.89	41523
(Accum Units)	5	48.80	48.80	51.97	1.89	41524
Touche, Remnant Unit Tst Mngt Ltd (1600)H						
Mermaid Hse, 2 Puddle Dock, EC4 01-248 1250						
TR American Gwth	5¼	38.66	38.66	41.51	1.51	41525
TR Eur Sp Sits Acc	5¼	23.39	23.39	24.95	1.35	41526
TR Eur Sp Sits Inc	5¼	23.20	23.20	24.73	1.35	41527
TR General Growth	5¼	64.52	64.52xd	68.64	2.32	41528
TR Global Tech	5¼	54.89	54.89	58.39	0.38	41529
TR Income Growth	5¼	75.80	75.80xd	80.64	4.36	41530
TR Income Monthly	5¼	59.62	59.62	63.43	6.30	41531
TR Japan Growth	5¼	72.58	72.58xd	77.17	0.16	41532
TR Overseas Growth	5¼	52.69	52.69	56.29	1.42	41533
TR Smaller Cos	5¼	95.17	95.17	101.2	1.38	41534
TR Special Opps	5¼	109.8	109.8	116.8	1.64	41535
TR Mgd Eq Plan Acc	5¼	26.55	26.55	28.48	3.33	41536
TR Mgd Eq Plan Inc	5¼	26.18	26.18	28.10	3.33	41537
TR Wide Sp Sit Acc	5¼	26.28	26.42	28.33	1.30	41538
TR Wide Sp Sit Inc	5¼	26.28	26.42	28.33	1.30	41539
Trades Union Unit Tst Mngrs (1600)F						
100 Wood Street, London EC2 01-686 4355						
TUUT June 30	4	230.0	230.0	242.1	3.11	41540
Triton Fd Mngrs. Ltd. (1000)H						
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400						
Triton General	5¼	153.4	156.3	166.3	2.14	41541
Tyndall Unit Tst Mngrs Ltd (1600)H						
25 Bucklesbury, London EC4N 248 3399						
Cons & General	5	59.31	61.12x	64.74x	5.63	41542
Accum Units	5	63.48	65.42	69.30	5.63	41543
Income	5	81.27	84.15	88.37	4.03	41544
Accum Units	5	82.61	84.81	89.82	4.03	41545
Smaller Co's	5	88.59	88.59	93.82	3.03	41546
Accum Units	5	89.48	89.48	94.77	3.03	41547
UK Growth	5	89.78	89.78	95.08	3.04	41548
Accum Units	5	90.96	90.96	96.34	3.04	41549
Pacific Gold Acc	5¼	54.74	55.29	58.56	—	41550
UK Unit Trust Managers Ltd (1400)H						
Worthing Road, Horsham, RH12 1SL 0403 40053						
British Growth	5¼	60.00	62.10	66.07	1.94	[illegible]

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INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
Investment Mngt M & G Inv Mngt Ltd				
AA Friendly Sy July 8	–	141.4	–	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	241.8	254.6	–	41608
Equity Ser. 1	116.7	122.9	–	41609
Prop. Acc. Ser 2	350.1	368.6	–	41610
Equity Ser 2	132.5	139.4	–	41611
Selective Acc.	285.4	300.5	–	41612
Prop. Ser. 4	275.5	290.1	–	41613
Equity Ser 4	134.5	141.6	–	41614
Fixed Int. Ser. 4	209.9	221.0	–	41615
Indexed Inv. Ser. 4	120.1	126.6	–	41616
American Ser. 4	266.7	280.8	–	41617
High Inc. Ser. 4	378.4	398.8	–	41618
Japan Ser 4	278.2	292.9	–	41619
Man. Ser. 4	375.2	395.0	–	41620
Money Ser. 4	216.3	227.7	–	41621
European Ser 4	95.0	100.1	–	41622
Pension Funds				
Property	464.9	489.4	–	41623
Equity	957.9	1008.4	–	41624
Selective	304.0	320.1	–	41625
Managed	684.2	720.3	–	41626
Security	396.2	417.1	–	41627
Fixed Int.	234.3	246.7	–	41628
European	131.7	138.7	–	41629
American	220.9	232.6	–	41630
Japan	298.0	313.7	–	41631
Indexed	127.4	134.2	–	41632
International	146.5	154.3	–	41633
Ethical	102.5	107.9	–	46174
High Income	100.8	106.2	–	46175
Abtrust Management Ltd				
20, Chiswell St, London, EC1Y 4TY 01-374 6801				
Managed Growth	304.22	320.24	–	41634
Managed Income	135.57	142.71	–	41635
AEtna Life Insurance Co Ltd				
401 St John St, London EC1V 4QE 01-833 2303				
Life Funds (Accumulator Units)				
Squirrel	11.76	12.38	–	41636
Bear	12.24	12.89	–	41637
Owl	15.26	16.07	–	41638
Bull	13.69	14.42	–	41639
Stag	14.17	14.92	–	41640
Gilt-Edged	11.81		–	41641
Deposit	10.80		–	41642
North American	9.21	9.70	–	41643
European	7.98	8.40	–	41644
Property	11.05	11.64	–	41645
Index Linked	9.64	10.15	–	41646
Far Eastern	11.19	11.78	–	41647
UK Equity	11.66	12.28	–	41648
Fixed Interest	10.27	10.82	–	41649
Corinium	100.7	106.0	–	41650
1982 Series				
UK Equity	252.8	266.2	–	41651
North American	164.5	173.2	–	41652
Far Eastern	298.7	314.4	–	41653
Fixed Interest	180.2	189.7	–	41654
Cash Deposit	135.7	142.8	–	41655
Property	130.2	137.0	–	41656
Special Opportunities	336.6	354.3	–	41657
Managed	220.6	232.2	–	41658
Index Linked Fund	116.9	123.1	–	41659
Bristol	115.4	121.5	–	41660
Star Managed-2	213.1	224.3	–	41661
Star Managed-3	224.7	236.5	–	41662
Star Managed-4	204.6	215.4	–	41663
Star Managed-5	203.6	214.4	–	41664
Pre-1982 Series				
3 Way	397.50	397.50	–	41665
Equity	632.00	632.00	–	41666
Bond	421.90	421.90	–	41667
Property	247.30	247.30	–	41668
Overseas Investment	250.20	250.20	–	41669
Pension Funds (Accumulation Units)				
Squirrel	13.32	14.03	–	41670
Bear	14.25	15.00	–	41671
Owl	18.70	19.69	–	41672
Bull	16.56	17.44	–	41673
Stag	16.66	17.54	–	41674
Gilt Edged	12.95		–	41675
Deposit	11.76		–	41676
North American	9.43	9.93	–	41677
European	8.16	8.59	–	41678
Property	12.50	13.16	–	41679
Index-Linked	9.62	10.13	–	41680
Far Eastern	11.97	12.60	–	41681
UK Equity	13.27	13.97	–	41682
Fixed Interest	10.68	11.25	–	41683
1982 Series				
Managed	256.6	270.2	–	41684

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OTHER UK UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
41	Redemption 3pc 1986-96	99	7.27	24.2	1Apr 10Oct	1278
2,050	Treas. 9½pc '88	99	10.14	21.3	25Apr 25Oct	1346
2,250	Treas 11¼pc 1989	100	10.13	18.1	22Aug 22Feb	1291
855	Treas 9½pc Cnv 1989	99	9.93	11.9	18Oct 18Apr	1348
500	Treas 3pc 1989	97	6.55	26.03	15Nov 15May	1327
1,400	Treas 10½pc 1989	100	10.05	09.04	14Dec 14Jul	1287
2,400	Exch. 10pc 1989	108	10.08	27.5	1Feb 1Aug	1250
2,000	Exch 11pc 1989	101	10.09	24.2	29Mar 29Sep	1256
601	Treas 5pc 1986-89	96	8.10	9.3	15Apr 15Oct	1329
535	Exch 10¼pcCv '89	100	9.84	8.4	15Mar 15Nov	1255
1,000	Treas 13pc 1990‡‡	104	9.96	8.6	15Jul 15Jan	1300
1,400	Exch 11pc 1990‡‡	101	9.97	8.7	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	103¾	10.03	17.8	22Sep 22Mar	1262
550	Treas. 3pc 1990	92	7.54	5.4	8Nov 8Mar	1325
600	Treas 8¼pc 1987-90‡‡	97	9.51	09.04	15Dec 15Jun	1340
1,000	Treas. 8pc Cv 1990‡‡	97	9.00	9.5	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	99	10.01	21.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	89	7.32	16.10	22May 22Nov	1270
2,200	Treas 11¾pc 1991	103	10.00	4.12	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	93	8.62	1.9	5Oct 5Apr	1275
400	Treas. 3pc 1991	88	7.52	6.4	13Mar 13May	1326
646	Treas 10pc Cv '91‡‡	100	9.68	06.05	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	102¾	9.97	21.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	94	9.86	04.04	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	108	9.90	15.5	22Jul 22Jan	1297
1,600	Treas 10pc 1992	100	9.91	15.1	21Aug 21Feb	1283
1,400	Treas. 8pc 1992‡‡	94	9.83	11.6	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	101	9.90	1.9	7Nov 7May	1289
500	Treas. 3pc 1992	84	7.67	4.11	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	107	9.98	19.1	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	111	10.01	17.8	22Mar 22Sep	1266
800	Treas 8¾pc 1993	94	9.89	–	18Aug 18Feb	–
1,850	Treas 10pc 1993‡‡	100	9.84	9.3	15Oct 15Apr	1279

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,100	Treas 12½pc 1993‡‡	110	9.90	18.03	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	90	8.39	8.2	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	115	9.92	19.10	23May 23Nov	1304
1,050	Treas. 8½pc 1994	94	9.82	27.5	3Aug 3Feb	–
600	Treas 14½pc 1994‡‡	119	9.88	25.1	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	115	10.02	21.3	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	100	9.81	04.04	9Dec 9Jun	1284
1,550	Exch. 12¼pc 1994	111	10.01	18.1	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	96	9.68	11.4	17May 17Nov	1345

Over Fifteen Years

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,000	Exch. 12pc '13-'17	124	9.34	6.5	12Jun 12Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	42xd	–	27.5	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	38	–	25.03	1Jun 1Dec	1352
154	Conv. 3½pc '61 Aft	51	–	24.2	1Apr 10Oct	1243
56	Treas. 3pc '66 Aft	31	–	1.3	5Apr 5Oct	1324
276	Consols 2½pc	27	–	7.7	5Ja Ap Jul Oct	1238
475	Treas. 2½pc	27	–	24.2	1Apr 10Oct	1315

Index-Linked

Amount £m	Stock (b)	Price £	Red. Yld. **	Last xd	Interest Due	City-line
500	Treas 2pc IL '90(84.6)	121	2.37	20.5	25Jul 25Jan	1311
–	Do. 2pc '92‡‡(97.8)	102¼	2.82			1312
400	Do. 2pc 94(401)(102.9)	40	2.99		16Nov 16May	
1,000	Do. 2pc '96(67.9)	139	3.18	8.2	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	113	3.91	18.8	24Mar 24Sep	1316
800	Do. 2½pc '03(78.8)	109	3.96	13.03	20Nov 20May	1317
1,100	Do. 2pc '06(69.5)	111	3.98	13.5	19Jan 19Jul	1314
950	Do. 2½pc '09(78.8)	103	3.99	13.03	20Nov 20May	1318
1,350	Do. 2½pc '11(74.6)	107	3.98	18.1	23Feb 23Aug	1319
1,100	Do. 2½pc '13(89.2)	89	3.97	11.1	16Feb 16Aug	1320
1,600	Do. 2½pc '16(81.6)	95	3.94	20.5	26Jan 26Jul	1321
1,400	Do. 2½pc '20(83.0)	93	3.88	10.3	16Oct 16Apr	1322
800	Do. 2½pc '24‡‡(97.7)	78	3.82	10.5	17Jan 17Jul	1323

**Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1987:102.9 and for May 1988:106.2

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼ Ln 2010	102	10.78	3.12	4Jan 4Jun	–
100	Asian Dev Bk 10¼pcLn2009	99	10.39	19.2	24Mar 24Sep	–
100	Australia 13½pc 2010	123	10.66	23.12	28Jan 28Jul	–
100	Do. 11¾pcLn2015	106	10.59	24.3	26Apr 26Oct	–
75	Euro Inv Bk 11pc Ln 2002	105	10.30	23.2	23Mar 23Sep	–
100	Do. 10¾pc2004	100	10.29	22.4	22Mar 22Nov	–
75	Int-Am Dev Bk 12½pc 2003	115	10.43	7.12	8Jan 8Jul	–
175	Do. 9¾pcLn 2015	93	10.45	13.4	15May 15Nov	–
75	Mlysia 10¾pcLn 2009	95xd	11.32	23.12	31Jan 31Jul	–
50	Utd. Mexican States 16½pc 2008	108	15.06	26.1	1Mar 1Sep	–

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yield	Last xd	Interest Paid	City-line
7	Greek 7pc Ass.	45	3.50	7.78	3.5	1May 1Nov	2763
4	Do. 6pc 28 Stb. Ass.	45	3	6.67	1.2	1Feb 1Aug	2762
–	Do 4pc Mixed Ass.	45xd	2	4.44	5.4	1Apr 10Oct	2761
1	Hung. '24 Ass.	75	2.75	3.67	3.5	1May	2935
40	Hydro Quebec 15pc 2011	133	15.00	10.98	28.4	31May 30Nov	–
30	Iceland 14½pc Ln 2016	123	14.50	11.66	4.1	31Jan 31Jul	–
30	Ireland 9¾pc '91-96	97	9.75	10.20	1.2	1Mar 15Sep	3002

AMERICANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
6,087.0	Abbott Laboratories	26¼	$1.20	2.6	11.4	Fb My Ag Nv	1503
226.2	Allegheny & W 1c.	438p	30c	4.0	–	–	–
1,313.0	Amax $1	13xd	020c	–	5.5	Mr Jn Se De	1581
1,581.5	Amdahl 5c	30	20c	0.4	5.11	Mr Jn Ag	–
2,782.3	Amer. Cyanamid $5	30	$1.20	2.3	22.2	Mr Je Se De	–
7,836.5	Amer. Express 60c	15	76c	2.8	4.7	Fb My Ag Nv	1594
843.4	Amer. Medical Int. $1	10	72c	4.1	11.1	Fb My Au Nv	–
16,709.2	American T & T $1	15	$1.20	4.5	27.5	Fb My Ag Nv	1597
7,365.8	Ameritech $1	52	$5.40	–	27.6	Fb My Ag Nv	–
436.3	Amfac	26	–	–	11.84	Mr Jn Se De	–
5,398.3	Anheuser-Busch $1	18	60c	2.0	–	Mr Jn Se De	1620
1,284.3	BankAmerica $1	793p	–	–	11.85	Fe My Au No	1744
1,690.3	Bankers N.Y. $1	21	$1.86	5.1	26.3	Ap Jly Oc Jan	1745
8,146.1	Bell Atlantic $1	41	$4.08	5.8	27.6	Fe My Au No	–
11,670.8	BellSouth Corp	24	$2.36	5.7	6.7	Fe My Au No	–
1,008.3	Bethlehem Steel $8	13	–	–	4.11	Mar Jun S D	1821
	Bio-Rad Labs. Inc. "A"	13					
729.8	Bowater Inc.	19xd	92c	2.7	7.6	Oc Ja Ap Jly	1884
2,085.0	Browning-Ferris 16.6c	14xd	48c	2.0	14.5	Ja Ap Jly O	1956
1,081.3	Brunswick 75c	12	44c	2.1	20.4	F My Au N	1989
2,135.0	CPC Intnl. 25c	26	$1.44	3.2	25.9	Jan Ap Jly O	2263
2,572.6	CSX $1	16	$1.24	4.4	22.2	M J S D	–
443.4	CalFed Inc $1	15	$1.40	5.5	10.5	Mr Jn Sp Dc	–
1,876.9	Campbell Soup 15c	14	84c	3.4	4.1	Oc Ja Ap Jy	–
3,955.5	Caterpillar Inc $1	39	75c	1.1	20.4	F My Au N	–
1,418.3	Chase Manhattan $12½	17	$2.16	7.3	26.4	Fb My Ag Nv	2109
1,560.9	Chem. Banking Corpn	17	$2.72	9.1	6.6	Ap Jy Oc Ja	–
3,065.6	Chrysler $6¼	13	$1.00	4.2	10.5	Mar Jun S D	2135
4,591.1	Citicorp $1	14	$1.48	6.0	27.4	My Au N F	2141
4.8	CityFed Fin. Corp.	236p	4c	1.0	29.10	Fb My Ag Nv	–
1,733.7	Colgate-Palmolive $1	25	$1.48	3.5	20.4	F My Au N	2184
645.7	Coas Freightways 62½c	17	98c	3.4	3.11	Fe My Au Nv	–
114.9	Contl Illinois Corp $1	285p	8c	1.6	2.12	Dc Mr Jn Se	–
17.1	Cont Illinois Hldgs $1	7p	–	–	–	Mr Jn Se De	–
	Corporate Data Sciences	388p	–	–	–	–	–
157.9	Cullinet Sftwr 1c	489p	–	–	–	–	–

Continued on next page

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
5,264.8	Time Inc. $1	56½xd	$1.00	1.1	24 01	Mr Jn Se De	4234
1,456.3	Transamerica $1	19⅛xd	$1.84	5.6	29 3	Ja Ap Ju Oc	4289
543.5	Transworld Corp $5.	10½	20c	1.1	11.11	Fe My Au No	–
585.2	TRINOVA Corp	17⅛xd	56c	1.9	9 11	Mr Je Se De	4309
5,757.0	USX $1	18⅞	$1.20	3.7	30.10	Mr Je Se De	4380
2,918.4	Utd. Technologies	22¼xd	$1.60	4.2	19.5	Mr Jn Sp De	4381
6,512.1	US West	32½	$3.52	6.4	13.4	Fb My Ag Nc	–
4,736.5	Waste Management $1	21xd	48c	1.3	17.5	Ap Jly Oc Jan	4439
1,151.0	Whirlpool $1	16⅝	$1.10	3.9	25 01	Mr Jn Se De	–
1,994.9	Woolworth $3½	30⅝	$1.64	3.2	19.11	Mr Je Se De	4540

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	ABM Gold Corp	230p	–	–	–	–	–
–	Abbot Energy Corp	25p	–	–	–	–	–
684.0	Amer Barrick Res	11⅜	–	–	–	–	–
–	American Lightwave	5¼p	–	–	–	–	–
–	Armeno	21½p	–	–	–	–	–
–	Augmitto Explo	65½p	–	–	–	–	–
1,416.5	Bk. Montreal	13⅝	$2.00	7.1	9.5	Fb My Ag Nv	–
1,112.9	Bk. Nova Scot.	671pxd	76c	5.5	28 6	Ja Ap Ju Oc	–
4,829.4	BCE	17¾xd	$2.44	6.6	6 6	Ap Jy Oc Ja	–
282.9	Bow Valley	683p	40c	2.8	15.12	May Nov.	–
899.6	Brascan	13¼	88c	3.2	28.10	Ja Ap Jy Oc	–
58.3	Breakwater Res.	260p	10c	1.9	–	–	–
1,799.8	Can. Imp Bank	11½xd	$1.16	4.9	29.6	Fe My Au No	–
3,447.4	Can. Pacific	11¾xd	60c	2.6	28.6	July Jan.	–
18.9	Do. 4pc Deb £100	40½	4%	9.9	24.5	July Jan	2051
–	Central Capital "A"	515p	–	–	–	–	–
–	Corona Corp	485p	–	–	–	–	–
70.7	Cons. TVX Min	436p	–	–	–	–	–
–	Danbus Res.	297p	–	–	–	–	–
–	Derlan Inds	630p	11.75c	0.9	3.6	Mr Je Se De	–
1,160.2	Echo Bay Mines	12¼	14c	0.6	–	June Dec	–
–	Energex Minerals	35p	–	–	–	–	–
–	Euro-Asia Capital Ltd	114p	–	–	–	–	–
113.9	Galactic Resources	382p	–	–	–	–	–
14.2	Geodome Res	187p	–	–	–	–	–
56.8	Granges Explnl	261p	–	–	–	–	–
–	Gt Pacific Res	9½p	–	–	–	–	–
–	Gulf Canada	863p	52c	2.9	26.3	Ja Ap Jy Oc	–
98.8	Hawker Sid Can	12½	$1.08	4.3	15.11	Ap Jy Oc Ja	–
–	Henlys Group	468p	–	–	–	–	–
270.3	Hudson's Bay	905p	60c	3.2	2.10	Mr Jn Sp Dc	–
4,429.4	Imperial Oil	27¼	$1.80	3.2	26 11	Mr Je Se De	–
2,122.9	Inco	20½	US$0.80	2.3	27 4	Jan.Ap.J.O.	–

For Int'l. Corona Res., Lacana Mining and Royex Gold Min. see Corona Corp.

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	Inland Nat. Gas $1	563p	60c	5.2	30.12	Fe My Au No	–
11.9	Madeleine Mines	204p	–	–	–	–	–
–	Muscocho Expln	186p	–	–	–	–	–
–	Ntnl Business Syst.	127p	–	–	–	–	–
–	Nevada Goldfields	210p	–	–	–	–	–
490.4	Rio Algom	11½	$1.30	5.5	5.11	June Dec	–
2,166.5	Royal Bk. Can.	15⅝	$2.08	6.5	20.10	Mr Je Se De	–
3,151.3	Seagram	33	US$1.20	2.1	14.2	Se De Mr Ju	–
–	Sonora Gold Corp	184p	–	–	–	–	–
–	Spiral Eng	68p	–	–	–	–	–
–	Tan Pure Tech. Corp.	122p	–	–	–	–	–
2,303.0	Toronto-Dom. Bk.	15⅝	$1.12	3.5	22.12	F My Au No	–
–	Trans Atlantic Res	24p	–	–	–	–	–
842.4	Trans Can Pipe	676p	68c	4.9	1.12	Ja Ap Jy Oc	–
322.9	Varity Corp	195p	–	–	11'77	–	–

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,547.6	ANZ SA1	218	G+021c	4.4	31.5	Feb July	1698
532.0	Allied Irish	251	Q65.3%	5.4	23.5	Dec July	1354
1,336.3	Algemene Fl.10	£121½	Q27%	5.9	3.5	Aug May	1567
13.8	Anglo Irish	70	Q19.69%	5.9	23.5	June Dec	1355
154.1	Ansbacher (H.) 1p	84	2.0	3.2	21.3	April	1624
2,401.0	Banco de Bilbao S.A.	£36¼	Q67.2%	4.5	9.12	Dec June	–
3,817.1	Banco de Santander	£33⅝	Q22%	1.6	3.5	March Sept	–
566.0	Bank Ireland Ir£1	229	Q15.67%	5.7	23.5	July Dec	1360
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LONDON SHARE SERVICE

LEISURE—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
3.34	♦Border T.V.	39	†1.4	5.7	8.2	October	1878
235.4	Brent Walker 10p.	429	8.0	2.5	23.5	June Dec	1945
167.2	Do 6pc. Cv.Cm.Rd.Pf	127	6.0	6.3	23.5	Jan July	1944
31.5	Campari Int. 20p	314	6.5	2.8	11.4	Mar. Nov.	2048
8.57	♦Castle Comms. 5p	297	L7.0	4.0	11.4	May Nov	2079
45.0	Capital Radio 10p.	289	†6.0	2.8	6.6	May Nov	2068
140.6	Central ITV	553	22.0	5.3	11.4	Nov May	2091
38.3	Chrysalis	138	7.0	6.8	23.5	Jan July	2134
33.1	♦Cityvision 5p	85	0.5	0.8	25.4	–	2150
12.3	Classic Th'bred I£0.20	32	–	–	–	–	1383
23.2	Edenderry	63½	Q24.6%	8.9	10.8	September	1413
8.84	♦Entertain Prod 5p	27½	–	–	9'85	–	2483
7.62	Expedier Leis. 20p	141	–	–	29.6	July Dec	3932
14.4	Fairline Boats 10p	412	†9.0	2.9	20.6	Jan. July	2534
189.8	First Leisure	199	2.34	2.2			2569
6.74	♦GWR Group 20p	455	–	–	–	–	4932
6.95	Grampian TVA 10p	48	2.5	6.9	25.4	Jan June	2752
2.87	♦Greenwich Comm	41	–	–	–	–	2772
46.9	HTV Ord.	222	†9.8	5.9	21.3	Nov. Apr.	2797
79.3	Hanimex A$0.25	115	Q06c	2.4	3.5	Dec. June	2819
11.7	Juliana's Hldgs 2p	55	2.85	6.9	23.5	Nov June	3066
41.0	♦Kunick 10p	42	†1.0	3.2	23.5	Mar. Jul.	4686
134.9	LWT 5p	158	5.7	4.8	21.3	Jan April	3233
174.3	Lane Leisure 10p	411	8.0	2.6	4.7	October	3134
36.9	Leisure Inv 10p	97	g†1.43	2.0	7.3	January	3151
17.3	Leisuretime Int 10p	96	–	–	11.5	Jan Jul	3152
94.2	♦Marina Dev. 50p	343	–	–	–	–	3286
213.5	Mecca Leisure 10p	228	†3.65	2.3	7.12	Mar Sept	3326
8.14	Medminster 10p	106	†2.57	3.2	7.3	Apr. Oct.	3329
75.6	Midsummer Leis	411	†4.0	1.3	23.5	February	3384
6.05	♦Miss World 10p	310	8.0	3.4	21.3	Oct May	3394
16.1	♦Molinare Visions 50p	59	–	–	9'86	–	4898
–	♦Omnicorp Inv. NZ$0.5	29	Q2c	3.1	–	–	–
13.0	Orient Ex Htls $0.125	151	–	–	1'84	–	–
51.1	Owners Abroad 3p	89	2.1	3.1	21.3	May	3574
3.18	Pavilion Leisure 10p	245	–	–	–	–	3611

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	♥Pelsart Res NL	22	–	–	–	–	3627
665.5	♥Placer Pac. 30cts.	107	–	–	–	–	4855
–	♥Queen Margaret Gold	47	–	–	–	–	3741
515.0	♥Renison 50c	444	Q15c	1.6	13.9	October	3809
–	♥Samson Expl'n. NL	7	–	–	–	–	3910
–	♥Sandhurst Mining	13	–	–	–	–	1737
98.8	♥Sons Gwalia NL	325	†Q45c	6.5	–	–	4055
–	♥Sthn. Goldfields	3	–	–	–	–	4852
–	♥Southern Pacific	20	–	–	–	–	4061
–	♥Southern Res.	36	–	–	–	–	4062
–	♥Southern Ventures 25c	7	♦	–	–	–	4063
–	♥Spargos Expl'n	10½	–	–	–	–	–
–	♥Swan Res 20c	5	–	–	–	–	4148
–	♥West Coast 25c	8	–	–	–	–	4462
2511.2	Westn. Mining 50c	299	gQ10c	1.5	6.4	May Dec	3479
–	♥Whim Creek 20c	136	Q11c	3.8	–	–	4486

Tins

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.57	♥Ayer Hitam SM1	50	‡Q53.3c	‡	9.3	Apr. Nov.	1714
6.32	Geevor	95	–	–	6'85	–	2670
8.77	Gopeng Berhad M$0.50	55	Q10c	4.1	10.3	Jan Sept	2726
3.72	Jantar 12½p	76	♦	–	6'86	–	3022
218.2	Malaysia Mng. 10c	53	Q3.5c	1.5	11.4	Dec Aug	3272
13.1	Petaling SM1	130	†Q50c	8.7	6.6	December	3644
2.39	Sungei Besi SM1	78	Q70c	34.8	21.12	September	4140
1.78	Tanjong 15p	120	–	–	6'81	–	–
12.9	Tronoh SM1	125	Q25c	4.5	11.4	Oct July	4314

Miscellaneous

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
–	Anglo-Dominion	40	–	–	–	–	–
117.0	Butte Mining 10p	117	–	–	–	–	2024
–	♥Colby Res Corp	48	–	–	–	–	–
5.74	Cons. Murch. 10c	138	Q60c	11.1	11.1	Aug. Feb.	2216
–	♥DRX Inc	80	–	–	–	–	–
26.8	♦Ennex Int. Ir10p	32	–	–	–	–	1416
28.1	♦Exploration Ltd Vtg 5p	41½	–	–	–	–	2518

THIRD MARKET

Market Cap. £m	Stock	Price	Div Net	Y'ld Gr's	Last xd	Dividends Paid	City-line
9.31	Norton Group 5p	18	–	–	–	–	4674
1.45	Ovoca Gold IR 2p	46	–	–	–	–	1470
6.23	Pennant Grp. 2p	35	d0.2	0.8	–	–	4969
1.37	Pennine Optical 2½p	46	–	–	–	–	4889
7.25	Propeller 1p	58	–	–	–	–	3729
3.24	Publishing Hldgs. 5p	28	–	–	–	–	3735
9.29	Royal Sovereign 10p	210	4.6	2.9	11.4	May Nov	1505
1.78	Scott Pickford 10p	25½	3.1	16.2	–	–	5062
5.62	Seacon Hldgs.	81	–	–	–	–	3968
6.08	Staks Hldgs. 5p	23	–	–	–	–	4625
4.63	Swanyard Studios 1p	34	–	–	–	–	4666
24.1	Takare	276	b1.0	0.5	–	–	4647
12.1	Theme Holdings	63	♦1.1	2.3	25.4	June Dec	4206
3.47	Tomorrows Leisure 20p	31	–	–	–	–	4248
14.4	Tullow Oil 10p	23	–	–	–	–	4886
4.76	UPL Group 10p	118	L2.41	2.7	23.5	–	4362
6.01	Unit Group	148	5.0	4.5	4.7	Jan July	4357
6.91	Video Tape Record 5p	100	L2.3	3.1	9.5	–	4591

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	70	......
Craig & Rose £1 γ	708	......
Finlay Pkg. 5p γ	85	......
Holt (Jos) 25p γ	£11⅝	......

IRISH

Nat. 9¾% 84/89	£100¾	......
9pc Cap Ln 1996	£98¾	......
Fin. 13% 97/02	£119	......
Arnotts γ	380	......
CPI Hldgs. γ	130	+10
Carrol Inds. γ	158	......
Hall (R. & H.)	162	......
Heiton Hldgs. γ	52	+1
Irish Ropes γ	166	+1
Unidare γ	440	+15

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	56
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom.	22
Burton Ord.	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd.	52
Plessey	16
Polly Peck	38
Racal Elect.	32
RHM	30
Rank Org Ord.	64
Reed Intnl.	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CONSTRUCTION CONTRACTS DIARY DATES

Shand
Committed to Construction

Shand Ltd.
Shand House, Matlock
Derbyshire DE4 3AF
Tel: (0629) 734441

Over £31m orders for Miller

MILLER CONSTRUCTION has been awarded contracts worth over £31.6m in the last six weeks. These include: Refurbishment and new extension for Sotheby & Co. in London W1, value £4m, an 84-week project which starts on August 1. Two design and build schools for Leeds City Council, value £3.2m, both 60-week projects, starts today.

Fitting out and Phase Four, Riverside Park, Poyle, value £1.4m. Forty-week contract has started.

Fit out of new Sainsbury Supermarket in Grimsby. Value £2.3m.

Laboratory, office and production accomodation for Bio Separation Associates at Livingstone. Value £2.1m.

Design and build office and industrial development for Allamanda Estates at Fareham. Value £1m. Reading University, new short course accomodation and buttery,value £2.5m. This 72-week contract has just started.

Office block for Fife Regional Council. Value £4.1m. Office in Edinburgh for the Scottish Equitable Life Assurance Group. Value £3.8m.

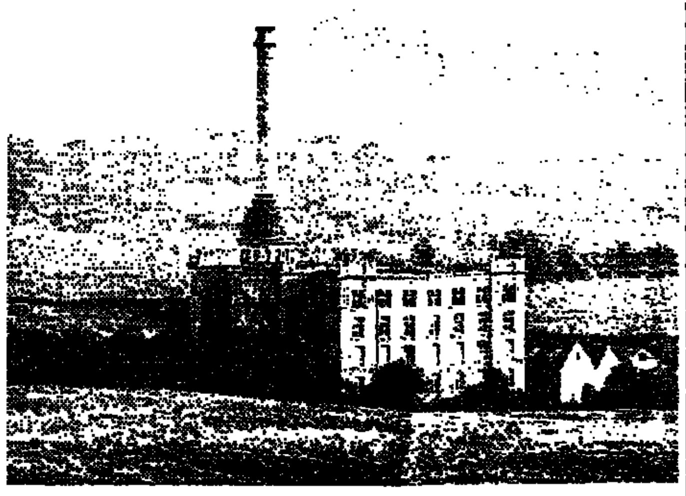
★

HORTON CONSTRUCTION, part of the Leading Leisure group, has won contracts worth over £2m. A contract to build a 33,750 sq.ft. two-storey warehouse and offices at Brambles Farm, Waterlooville, worth £1.1m, has been awarded by Osmond & Osmond. A warehouse and offices totalling 15,648 sq.ft., worth £675,000, is to be built for Tingles at Segensworth. A £300,000 contract for a warehouse and offices of 11,000 sq.ft. has been awarded by Botley Flour Milling Company.

★

Devon County Council has awarded BALFOUR BEATTY CONSTRUCTION a £2.4m contract for construction of 2km of dual two-lane carriageway in flexible pavement on the A380 Olchard Land to Eagle Farm *Road, near Torquay.*

Tweed mill into homes complex



A former tweed mill in the heart of the Cotswolds, at Chipping Norton, Oxfordshire, is being converted into a "country club" style homes complex under a £1.9m contract awarded to DIX BELGRAVIA by Bliss Mill Holdings. The building dates from 1872, and was used for high-quality cloth production until it closed in 1980. Designed by Lancashire mill architect George Woodhouse, the Grade II* Listed building is described by English Heritage as "a remarkable opulent design in a park-like setting," and also "a Barry-type conception of a country house."

Under the contract, the mill and some associated outbuildings, will be converted to form 44 homes of between one and four bedrooms each. Completion is due in the summer of 1989.

The main structure is of stone and brick with cast iron columns supporting transverse beams and brick vaults springing from 'I' section girders. This will remain unaltered, save for installation of an additional staircase and service ducts. The original 'Tuscan' chimney will be retained as a feature.

In the five-floor mill building, 34 apartments of between 800 and 2000 sq ft will be constructed, with interior design emphasising the building's Victorian origins.

The former 'warping shed' is to be converted to eight houses of between 1100 and 1450 sq ft, and the original gate lodge will provide two further homes of 1200 and 1400 sq ft. A further building will be converted to form garages. Site works will include a new road link to the A44, and landscaping.

Restoration work will make use of original materials, including slates, stone and cast iron columns, reclaimed from redundant buildings on site, which are being demolished.

A feature of the development will be a leisure complex solely for the use of residents. This will include a covered swimming pool, squash court, tennis courts and gardens, fully-maintained by trained staff. Secretarial and meeting room facilities, plus a 'fax' line will also be provided to meet the needs of residents with business interests.

Leisure centre at York

LAING MANAGEMENT CONTRACTING has won a £20m plus order to build the Monks Cross shopping and *leisure centre* at York.

The contract for the 400,000 sq.ft. project was awarded by *Standard Commercial Property* Securities. Work begins on July 22, with completion scheduled for summer 1990.

Situated two miles outside the town on the Malton Road, the centre will comprise 65 retail units plus department stores. All entrances will be at ground level, with two-level shopping inside. Facilities will include a ten-screen multiplex cinema, seating about 2,000 people.

Water treatment plant

NORWEST HOLST has been awarded a contract worth nearly £7.5m to construct a water treatment plant in Renfrewshire, Scotland, for Strathclyde Regional Council at Muirdykes Treatment Works.

The company will build the new works adjacent to the existing works, which will be de-commissioned soon after completion. Included in the contract is construction of extra storage capacity for the plant, which serves the Paisley and Renfrewshire districts.

When completed in summer 1990, the plant will treat raw water at a maximum rate of 60 megalitres per day, process the waste and store the treated water.

Work includes construction of buildings to house the dissolved air flotation cells, rapid gravity filters and sludge treatment plant. Four tanks will also be installed - a washwater tank, an underground contact tank, a 19,800 cu metres low-level clear water tank and a 9,300 cu metres high-level clear water tank.

ISIS CONSTRUCTION has received contracts worth £7.6m. In Maidstone the company is to build two steel-framed brick clad office blocks linked together, with car parking, worth £3.4m. At Aztec West, Bristol, a contract from Sun Alliance Assurance Group, worth about £3m, is for construction of a print warehouse with offices.

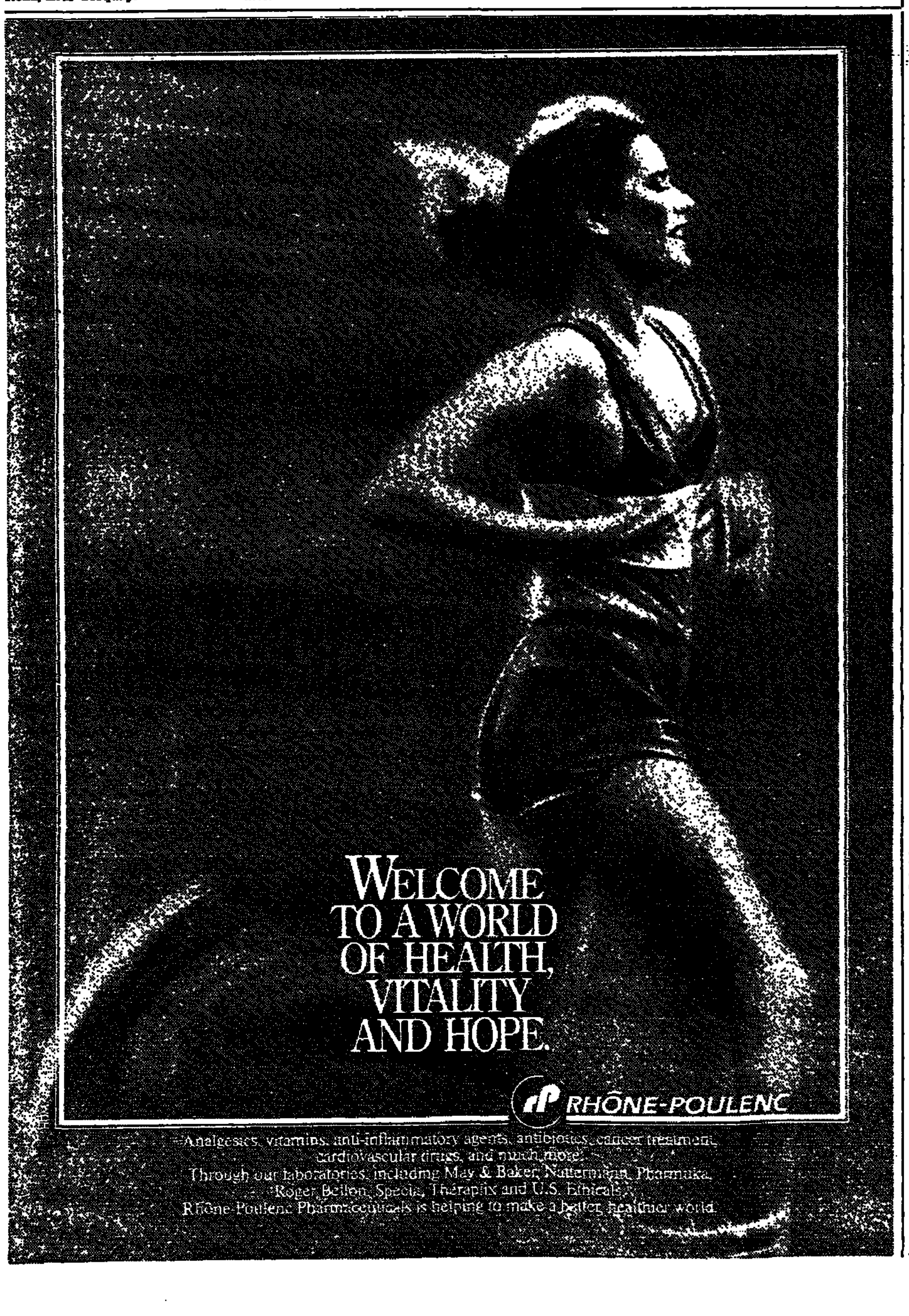
Spread of work for Kier

KIER WESTERN, part of Beazer, has been awarded contracts with a combined value of almost £15m.

These include student accommodation (£2.9m)for Bath University; four retail units (£2.4m) for Longcroft Estates in Docks Way, Newport, Gwent; the fitting out contract for a new office development (built by Kier Western) at Barnwood Fields, Gloucester (£1.9m) for Imperial Trident; factory units for the Welsh Development Agency (£1.9m) at Oakdale; and a nursing home in Plymouth (£1m) for Trenhawke.

Design and build projects include 78 flats in Swansea (£1.7m) for Kingdomwide Developments; and a clubhouse for Knowle Golf Club (£300,000) Bristol.

Other projects include the management contract for the refurbishment of Monmouth Walk at Cwmbran Town Centre (£900,000)for Ladbroke City and County Land Co., a primary school (£1.3m) for Gwent County Council and a primary school (£1.2m) for Mid Glamorgan County Council.



PARLIAMENTARY

TODAY

Commons: European Communities (Finance) Bill, second reading.

Motion on the Rate Support Grant (Scotland) Order.

Court of Session Bill, remaining stages.

Lords: Housing Bill, second reading.

Motions on Town and Country Planning Regulations, Environmental Assessment Regulations, and Highways (Assessment of Environmental Effects) Regulations.

Select committee: Televising of the proceedings of the House. Witnesses: Broadcast Debates *and Broadcast Communications.* (Room 8, 6 p.m.)

TOMORROW

Commons: Opposition debate "The growing divide between rich and poor in London" followed by debate "Public Provision for Sport for All."

Motion on the Wireless Telegraphy (Broadcast Licence Charges and Exemption) (Amendment No. 2) Regulations.

Debate on EC documents on the control of chlorofluorocarbons and the ozone layer.

Lords: Debate on Defence Estimates White Paper 1988.

Question to the Government on action being taken to safeguard and conserve the artistic heritage in national and private hands.

Select committees: Employment: subject, Legionnaires Disease in the working environment. Witnesses: Broadcasting and Entertainments Trades Alliance and Cogent. (Room 20, 3.35 p.m.)

Members' Interests: subject, parliamentary lobbying. Witnesses: the Public Relations Consultants' Association and the Institute of Public Relations. (Room 15, 4.15 p.m.)

Transport: subject, air traffic control safety. Witnesses: Joint Airmiss Working Group and Department of Transport. (Room 17, 4.15 p.m.)

WEDNESDAY

Commons: Ways and means resolution relating to the Finance (No. 2) Bill.

Progress on remaining stages of the Finance (No.2) Bill.

Motion on short speeches.

Lords: Road Traffic Bill, committee on re-commitment.

Road Traffic Offenders' Bill, committee on re-commitment.

British Steel Bill, third reading.

Local Government Finance Bill, third reading.

Select committees: Environment: subject, toxic waste. Witness: South Yorkshire Hazardous Waste Unit. (Room 21, 10.30 a.m.)

Education Science and Arts: subject, scrutiny session. Witnesses: Mr Kenneth Baker, Education Secretary, and officials. (Room 16, 3 p.m.)

Transport: subject, airline competition: CRS. Witnesses: Civil Aviation Authority; Department of Transport. (Room 17, 3.30 p.m.)

Home Affairs: subject, Police Complaints Authority. Witness: Home Office. (Room 20, 4.15 p.m.)

THURSDAY

Commons: Completion of remaining stages of the Finance (No. 2) Bill.

Motion on Redundant Mineworkers' Concessionary Coal (Payments) Schemes (Amendment) Order.

Motion on the Army, Air Force, and Naval Discipline Acts (Continuation) Order.

Lords: Health and Medicines Bill, committee.

Motion on the Docks and Harbours (Rateable Values) (Amendment) Order.

FRIDAY

Commons: Debate on Hong Kong.

Lords: School Boards (Scotland) Bill, second reading.

Debate to take note of EC report on staffing of Community institutions.

FINANCIAL

TODAY

COMPANY MEETINGS-
Gates (F.G.), Elmhurst, Queen Mary College, 98-110 High Road, Woodford, 12.00
Mining & Allied Supplies, Bowling Green Road, Stourbridge, West Midlands, 10.30

BOARD MEETINGS-
Finals:
Asda Group
Baileys
Carclo Engineering
Creighton Laboratories
Ellis and Everard
Joseph (Leopold)
Knobs & Knockers
Sandell Perkins
Sekers Intl.
Stockdale Hldgs.
Interims:
Berkeley Govett
Cons. Tern Invs.
Evode Grp.
Wyko Grp.
Interims:
AMI Healthcare Grp.
Microgen Hldgs.
Morris Ashby
Parkdale Hldgs.

DIVIDEND AND INTEREST PAYMENTS-
Capital Radio 3p
Clarkson (Horace) 3.25p
Haden MacLellan 1.8p
Harris Queensway 4p
Hongkong & Shanghai Banking Prim. Cap. Und. FRN 3rd Ser. $91.53
JSB Electrical 1.3p
Leumi Intl. Invs. Gtd. FRN 1987 Ext. to 1990 $18.64
London & Prov. Shop Centres New 10pc 1st Mtg. Deb. 2028 1.123p
London Atlantic Inv. Tst. 5.75p
Marine Midland Fin. NV Gtd Fltg Rate Sub Nts $184.84
National Westminster Bank Prim Cap FRN $391.81
Petaling Tin Berhad 22sen
Premier Group 90cts
Do Pfd 72.5cts
Smart(J) & Co. (Contractors) 1.6p
3i 11¼pc Uns Ln 1990 5⅝pc
Tiger Oats 155cts
Warner Howard 2.07p
Willaire Systems 0.25p

DIVIDEND AND INTEREST PAYMENTS-
Caisse Centrale De Cooperation Econ 12¼pc Gtd Ln 2013 6⅛pc
Conversion 9½pc Ln 4.75pc
Conversion 9pc Ln 2011 4.5pc
Estates & Agency Hldgs. 3p
Frost Group 4p
Gates (Frank G.) 4.25p
Henderson Administration 20p
Hewden-Stuart Plant 1.725p
Newcastle & Gateshead Water 7pc Max Cons 3.5pc
Do 4.9pc Max Cons (1976) 2.45pc
Do 4.9pc Max (1896) 2.45pc
Do 4.2pc Max 2.1pc
Do. 3.5pc Cons Pf 1.75pc
Do. 2.45pc Perp Pf 1.225pc
RBC Ind. Bond Fund 30cts
Treasury 10pc Cnv 1991 5pc

TOMORROW

COMPANY MEETINGS-
Fairbriar, The Butchers Hall, 87 Bartholomew Close, E.C., 12.00
German Smaller Companies Inv. Tst., 24 Cornhill, E.C., 12.00
Hanover Druce, 21 Manchester Square, W., 10.30
New England Properties, Bowater House East, 68 Knightsbridge, S.W., 2.15
Osborne & Little, The Waldorf Hotel, Aldwych, 10.30
Regalian Props., Free Trade Wharf, 350, Highway, Wapping, E., 11.30
Saltire Ins. Invs., The Insurance Hall, 20 Aldermanbury, 12.00
Summer Intl., The Cumberland Hotel, Marble Arch, W., 10.00

BOARD MEETINGS-
Finals:
Davy Corp
Howden Grp.
Markheath Securities
Parkfield Grp.
Rexmore

WEDNESDAY JULY 13

COMPANY MEETINGS-
Carless, Capel & Leonard, The Connaught Rooms, Great Queen Street, W.C., 11.00
Dawson Intl., Caledonian Hotel, Edinburgh, 11.45
English and Intl. Tst., 11 Devonshire Square, 12.00
Foster (John) & Son, Black Dyke Mills, Queensbury, Bradford, 12.30
New Throgmorton Trust, Honourable Artillery Company, City Road, E.C. 12.30
Powell Duffryn, The Waldorf Hotel, Aldwych, W.C., 12.00
Witan Inv., 3 Finsbury Avenue, E.C., 12.30

BOARD MEETINGS-
Finals:
Cambridge Instruments
Dixons
EMAP
Moorgate Inv. Tst.
Rush & Tompkins
Interims:
Biotechnology Invs.
Domino Printing
General Cons. Inv. Tst.
M.&G. Dual Trust
Quest Group
Union Discount Co. of London

DIVIDEND AND INTEREST PAYMENTS-
Allied Irish Banks IR£0.07
Foster (John) 3.25p
German Smaller Co's Inv. Tst. 1.3p
Leeds Permanent B. S. Fltg Rate Nts 1994 £104.12
Saltire Insurance Invs. 2.25p
TR North America Inv Tst 1.5p

THURSDAY JULY 14

COMPANY MEETINGS-
Askies Brothers, The Old Cottages, Lower Bond *Street, Hinckley, 12.00*
Bromsgrove Inds., Plough & Harrow, Hagley Road, Birmingham, 12.00
Business Mortgages Trust, Tallis House, 2, Tallis Street, E.C., 11.30
Chancery Securities, 14, Fitzharding Street, Manchester Square, W., 12.00
Elliott (B.), General Council of British Shipping, 30-32 St. Mary Axe, E.C., 12.00
Marks and Spencer, Royal Lancaster Hotel, Lancaster Terrace, W., 11.00
Parkdale Hldgs., 9, Quebec Street, Leeds, 12.00
Parkland Textile, The *Parkway Hotel,* Leeds, 12.30
Platignum, The Connaught Rooms, Great Queen Street, W.C., 12.00
Plessey, Millbank Tower, 21-24, Millbank, S.W., 12.00
Sindall (Wm.), The Gonville Hotel, Cambridge, 12.15
Thames Television, The Waldorf Hotel, Aldwych, W.C., 12.00
UEI, The City of London Club, 19 Old Broad Street, E.C., 12.00
Unigate, The Dorchester Hotel, Park Lane, W., 12.00

BOARD MEETINGS-
Finals:
AHH Hldgs.
Barbour Index
BB & EA
Brunning Grp.
Ferranti
Jones Stroud
Ransom (William) & Son
Tinsley (Eliza)
Wood (S.W.)
Interims:
Associated Newspapers
Central Motor Auctions
Daily Mail & General Trust
Dewhurst
Karshaw (A) & Sons
Kleen-E-Ze Hldgs.
Low & Bonar
Norfolk House Grp.
Rank Org.

DIVIDEND AND INTEREST PAYMENTS-
Anglia Bldg. Soc. Fltg Rate Nts Jan 1998 £104.89
Bank of Nova Scotia C$0.19
Creditanstalt Bankverein Sub Fltg Rate Nts 1994 $194.32
Funding 3½pc 1999/2004 1.75pc
Hunting Associated Inds. 5p
Lasmo Eurofinance Fltg Gtd Rate Nts 1989 $200.84
Lasmo North Sea 9½pc Cnv Bds 1999 4.75pc
Leigh *Interests* 3.82p
National Bank of Canada Fltg Rate Dep Nts July 1991 $197.48
Palmerston Inv Tst 18p
RHP Group 4p
Reliable Props. 508p
Sanwa Intl. Finance Gtd Fltg Rate Nts 1993 $3850.12
Telecomputing 0.85p
Tozer, Kemsley & Millbourn 1.5p
Treasury 12½pc Ln 1993 6¼pc
Treasury 13pc 2000 6.5pc
U.E.I 4.7p
Williams (Rex) 0.2p
Witan Inv. Co. 1.45p
Wolverhampton & Dudley Breweries 2.15p

FRIDAY JULY 15

COMPANY MEETINGS-
BAA, Royal Albert Hall, Kensington Gore, S.W., 11.00
Chesterfield Properties, Avery House, 1 Avery Row, W., 11.00
Craig & Rose, 172, Leith Walk, Edinburgh, 10.30
Hazlewood Foods, The Assembly Rooms, Market Place, Derby, 12.00
Hills Ergonom, 369, Euston Road, N.W., 12.00
Personal Assets Trust, One Charlotte Square, Edinburgh, 12.30

BOARD MEETINGS-
Finals:
LIT Hldgs.
Symonds Engineering
Wentworth Intl.
Interims:
Task Force Grp.

DIVIDEND AND INTEREST PAYMENTS-
Abbey National B. S. Fltg Rate Nts 2000 £208.69
Agric. Mort. Corp. 6¼pc Deb 1992/94 3⅛pc
Do. 5½pc Deb 1993/95 2¾pc
AmBrit Intl. 9pc Cnv Uns Ln 1996 4½pc
American Medical Intl. 18cts
Associated Electrical Inds. 6¾pc Deb 1986/91 3⅜pc
Associated Fisheries 1p
BCE Inc. 61cts
Bank of New York O'seas Finance Gtd Fltg Rate Sub Nts Jan 1996 $180.1
Barings B V Gtd Fltg Rate Cap Nts 2001 $391.81
Barker & Dobson 2p
Barlow Rand 39cts
Do Pfd 52.5cts
British-Borneo Petrol Syndicate 16p
Burmah Oil 10.5p
Chesterfield Props. 9p
Chillington Corp. 4.4p
Chrysler Corp. 25cts
Churchbury Estates 4.2pc Pf 2.1p
Cosalt 10pc Uns Ln 1983/88 5pc
Crowther (John) 3.125p
Eagle Trust 0.28p
Edinburgh Inv. Tst. 3½pc Deb 1996 1¾pc
Elys 0.3p
English & Intl. Tst. 3.45p
Equity & Law 9p
First General Inv Tst 12cts
Gartmore American Securities 2p
Govett Strategic Inv Tst. 10¾pc Deb 2016 5⅜pc
Hallwood Group 28cts
Helical Bar 5.25pc Cnv Pf 2012 2.625p
Howard & Wyndham 18pc Uns Ln 1976/91 9pc
Investors in Industry Fltg Rate Nts 1994 £104.12
Life Sciences Intl. 8pc Cnv Pf 4pc
London & Scottish Marine Oil 9⅝pc Pf 4.8125p
Do. New 9⅝pc Pf 4.4287p
London American Ventures Trust 0.45p
Lucas Inds. 10¾pc Uns Ln 1992/97 5⅜pc
M.&G. Dividend Fund 9p
Marks & Spencer 3.55p
Motorola 16cts
Murray Intl. Tst. 3.9pc Pf 1.95p
National Australia Bank A$0.16
North Surrey Water 5¼pc Deb 2⅝pc
Do. 4¼pc Deb 2⅛pc
Do. 4pc Deb 2pc
Do 7¼pc Red Deb 1991/93 3⅝pc
Northern Ind. Improv. Tst. 5p
PWS 3.5p
Pacific Gas & Electric 48cts
Parkland Textile 3.9p
Do. "A" Non-Vtg. 3.9p

APPOINTMENTS

Swire senior post

Mr Michael Miles, formerly chairman of the Swire Group in Hong Kong, has been appointed an executive director of JOHN SWIRE AND SONS from August 1. He joined the company in 1958, and among other posts in the group, has been chairman, Cathay Pacific Airways, and chairman, Swire Pacific.

★

Mr Derek Flynn has been appointed managing director of STELRAD GROUP, a division of *Metal Box. He takes over from* Mr Rodney Haynes who will become group executive chairman. Mr Flynn was operations director.

★

Mr W.E. Clifford, Mr J.D. Findlay and Mr M.W. Welton have joined the board of STENT FOUNDATIONS, a Balfour Beatty subsidiary.

★

ROCKWARE GROUP has appointed Mr Alexander Grant as sales and marketing director of Rockware Glass. He was sales and marketing director of Federated Potteries and Allia UK.

★

Mr Wayne Felton, who joined RELIANT MOTOR as company secretary and finance director designate in April, has become finance director. He was with Apricot Computers as chief group financial accountant.

★

Sir Fred Pontin, the former holiday camp chief, has become chairman of PONTI'S, a London restaurant group.

★

Mr David Barker has been appointed group finance director of PROSPECTIVE GROUP. He was director of corporate financial planning with Saatchi & Saatchi.

★

Mr Stephen Todd has been appointed managing director of BUSINESS DESIGN GROUP, a wholly-owned subsidiary of the WPP Group.

★

Mr Michael Hulls, development director, has been appointed to the board of SELECT COUNTRY HOTELS.

★

Mr Jon Fairbrother has been appointed to the board of WALTER LAWRENCE PROJECT MANAGEMENT. He was with Trollope & Colls Management as a technical director.

★

Mr Eric Ridgewell has been appointed UK sales manager of COMPAIR BROOMWADE. He was director of UK sales for Perkins Diesels.

★

Sir Laurence Airey has replaced Mr Norman Lessels as a non-executive director of SCOTFRESH. Sir Laurence recently succeeded Mr Lessels as vice chairman of Standard Life, of which Mr Lessels has become chairman. Mr Gavin Hepburn, chairman and managing director of Fife Indman, has also been appointed a non-executive director of Scotfresh.

★

Mr Kevin Pakenham, managing director of FOREIGN & COLONIAL MANAGEMENT, will be leaving on August 1 to take another post. Mr Oliver Dawson, chairman, will act as managing director until a successor is appointed.

Wales Quality Centre

The recently-formed WALES QUALITY CENTRE has chosen Mr Edwin Merrette, managing director of the AB Electronic Products Group, as its chairman, *writes Anthony Moreton, Welsh Correspondent*

Mr Fred Dobbs, a former director of Saunders Valves, is executive director.

The Centre has been set up, with its headquarters in Treforest, outside Cardiff, to help proselytise the message that "companies must be aware of the importance of a total commitment by management and workers to quality at every stage of their manufacturing process or service," according to Mr Merrette.

The Centre has been developed out of the Wales Quality Involvement Trust, formed in 1984 by Mr Vincent Kane, a local broadcaster, who is its vice chairman.

Support from a wide cross-section of Welsh industry has been guaranteed by the presence of Mr David Jenkins, secretary of the Wales TUC, and Mr R Lewis, of the Welsh Regional Management Centre at the Polytechnic of Wales, among its governors.

One other govenor is Mr Suehiro Nakamura, director of Sony (UK). Japanese executives in Wales have not, up to now, played much role in the wider community, restricting themselves to their own company's operations.

Trade Fairs and Exhibitions: UK

Current
World Wine Fair - including gourmet food section(until July 16) (01-729 0677)
Bristol Exhibition Centre

July 15-16
Cash and Carry Fashion Fair (01-727 1928)
Kensington Town Hall

July 17-21
Gift trade fair (0282 867153)
Harrogate

July 19-24
British Music Fair (0753 41963)
Wembley Exhibition Centre

July 21-28
Trade Opportunities in China (seminar on July 22)(0772 203020)
Preston Guild Hall

July 28-30
Sales solutions- The Event Exhibition (0543 255253)
NEC, Birmingham

August 7-10
Furniture Show (01-724 0851)
G-Mex Centre, Manchester

August 12-13
Cash and Carry Fashion Fair (01-727 1929)
Kensington Town Hall

August 14-18
Gifts Fair (0395 272010)
Hove Town Hall

August 18-21
Antiques Fair (0444 459917)
Kensington Town Hall

September 16-24
British Marine Industries Federation *International* Boat Show(0703 737400)
Southampton

Overseas Exhibitions

Current
Hospital Exhibition (until July 14) (01-439 4452)
Shanghai

July 20-21
Cologne Fashion Fairs International Trend Show (01-930 7251)
Cologne

August 16-18
Fashion Week 01-937 8050)
Tel-Aviv

August 22-24
Nordic Fashion Fair (01-486 1951)
Helsinki

August 25-28
Office Equipment, Technology and Computer Systems Exhibition (0494 729406)
Singapore

August 30-September 1
Traffic Engineering and Road Safety Exhibition - TRAFFEX (01-636 3956)
Canberra

September 4-8
Crystalware,China, Ceramics, Jewellery, Gifts and Furnishing Articles Exhibition - EUROPACADO (01-434 1825)
Brussels

September 6-10
Building and Construction Exhibition - CONBUILD (021-454 3385)
Sydney.

September 7-9
International Autumn Fair (01-977 4551)
Vienna

Business and management conferences

July 14
London Chamber of Commerce: Chile – Its expanding economy and trade opportunities (01-248 4444)
London

July 14-15
Frost & Sullivan: Improving operations workflow (01-730 3438)
London

July 15-17
Careers Research and Advisory Centre: Insight into management (0223-460277)
High Wycombe

July 20
Industrial Participation Association: People and pay – the impact of decentralisation (01-403 6018)
Barbican Centre

July 21
The Economist: 1992: The new Europe – Getting to grips with the competition (01-839 7000)
Centre Point, London

July 21
Lowe & Gordon Seminars: Commercial conveyancing (01- 493 2428)
Marriott Hotel, London

July 21
CBI Conferences/The Economist: 1992: The new Europe – Getting to grips with the competition (01-379 7400)
Centre Point, London

July 27-29
The Industrial Society: Effective negotiating skills (01-262 2401)
Central London

July 28
FIBEX: Acquiring in Europe; making strategic European expansion happen (01-837 1133)
Le Meridien Hotel, London

August 1-5
Management Centre Europe: The fundamentals of finance and accounting for non-financial managers (Brussels 322 5161911)
Brussels

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · JAPAN · FRANCE (continued) · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · AUSTRALIA · HONG KONG · SINGAPORE

2.14	1.32	MIM	2.14
6.5	4.36	Mayne Nickless	6.42
6.4	3.76	Nat. Aust. Bank	6.34
14.45	10.4	News	11.35
2	0.75	Noranda Pacific	0.85
3.58	2.2	North Bkn Hill	3.45
0.35	0.17	Oakbridge	0.21
4.52	3.57	Pacific Dunlop	4.33
2.4	1.5	Pancont'l	2.30
3.3	2.1	Pioneer Conc	3.30
2.8	1.22	Placer Pacific	2.34
2.75	1.9	Poseidon	2.38
1.28	1.03	Queensland Coal	1.26

1.88	1.28	Public Bank	1.35
3.3	1.99	Sime Darby	3.18
12	9.1	Singapore Air	11.70
8	6.75	Singapore Press	7.20
3.92	3.02	Straits Trading	3.72
3.16	2.82	Tat Lee Bank	3.04
5.2	4.4	UOB	5.05

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CHIEF LONDON PRICE CHANGES

(Prices in pence unless otherwise indicated)

RISES

Blue Circle	458	+	14
Brent Walker	422	+	9
Chrysalis	143	+	8
Courtaulds	344	+	8
De La Rue	454	+	13
Greycoat	410	+	9
Jaguar	304	+	12
Legal & General	338	+	8
Micro Focus	158	+	21
Pearson	719	+	12
Redland	420	+	8
Tipbook	408	+	18
Virgin Group	118	+	17½

FALLS

Charter Cons.	301	–	18
Enterprise Oil	473	–	6
GUS A	£10¼	–	¼
Hammerson A	629	–	7
ICI	£10⅞	–	⅛
Lloyds Bank	303	–	10
LASMO	464	–	9
Morgan Grenfell	299	–	12
Priest. Marians	400	–	8
Speyhawk	338	–	7

TOKYO – Most Active Stocks
Thursday 7 July, 1988

	Stocks Traded	Closing Prices	Change on day
Toshiba	129.19m	971	-19
Nippon Steel	117.89m	653	-17
Mitsubishi Heavy Ind	104.05m	940	-10
Mitsubishi Electric	100.64m	936	-24
Ishikawajima-Harima	88.18m	1,050	0
Nissan Motor	87.32m	1,2100	+70
Kawasaki Steel	70.42m	725	-23
Hitachi	57.92m	1,600	0
Sanyo Electric	55.70m	785	+16
Mitsui Shipbuilding and Engineering	48.20m	590	-10

Travelling on Business?

Enjoy reading your complimentary copy of the Financial Times when you're staying . . .

. . . in Stockholm at the Hotel Diplomat, Grand Hotel, Lady Hamilton Hotel, Hotel Reisen, Hotel Sergel Plaza, Star Hotel, Strand Hotel

. . . in Gothenburg at the Hotel Gothia, Park Avenue, Sheraton

. . . in Malmo at the Garden Hotel

FINANCIAL TIMES
Europe's Business Newspaper

CANADA

TORONTO
Closing prices July 8

MONTREAL
Closing prices July 8

OVER-THE-COUNTER

Nasdaq national market, Closing prices July 8

Continued from page 33

INDICES

NEW YORK — DOW JONES

	Jul 8	Jul 7	Jul 6	Jul 5	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2106.15	2122.69	2130.16	2158.61	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.99	89.27	89.23	89.19	91.25 (3/3)	86.12 (4/1)	–	–
Transport	889.19	894.41	892.92	908.45	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	178.52	179.59	180.18	182.14	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2133.53 (136.02) Low 2099.40 (2101.35)

STANDARD AND POOR'S	Jul 8	Jul 7	Jul 6	Jul 5	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite‡	270.02	271.78	272.02	275.81	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	312.32	314.29	314.41	318.56	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	24.52	24.73	24.87	25.22	24.92 (30/6)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.81	153.62	153.76	155.57	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	309.02	308.95	309.21	309.59	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	394.33	395.43	395.45	396.11	394.69 (1/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Jul 1	Jun 24	Jun 17	year ago (approx.)
Dow Industrial Div. Yield	3.50	3.49	3.55	2.89

	July 6	Jun 29	Jun 22	year ago (approx.)
S & P Industrial div. yield	3.07	3.10	3.03	2.40
S & P P/E ratio	14.24	14.18	14.42	23.20

TRADING ACTIVITY

CANADA

NEW YORK ACTIVE STOCKS

Closing prices July 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
27⅞	14	AAR s	.36	1.4	22	150	26¾	26⅜	26½	+ ¼
12⅛	8¾	ACMIn	n1.19e	10.		308	11⅞	11¾	11⅞	+ ⅛
12⅛	10⅞	ACMSc	n1.26	11.		294	11⅛	11⅛	11⅛	
10⅛	9½	ACMSp n				167	9¾	9⅝	9⅝	
27¾	10½	AGS			20	38	26⅞	26¾	26¾	
7⅞	2⅝	AMCA				33	4¼	4¼	4¼	
8⅝	3¼	AM Intl				2025	5¼	5	5⅛	– ⅛
29⅞	17	AM Int pf	2	9.6		78	20¾	20⅝	20¾	+ ⅛
65½	26¾	AMR			12	6136	48⅝	47½	47⅝	– 1⅛
11⅛	5¾	ARX			11	69	8¾	8⅝	8¾	
72⅞	40½	ASA	3	7.1		391	42¾	42⅛	42½	
22⅞	9½	AVX	.06e	.3	13	45	18½	18¼	18⅜	
66⅛	40	AbtLab	1.20	2.6	16	2664	45¾	45⅜	45½	– ¼
28	15⅞	Abitibi g	1			37	18⅞	18¾	18⅞	
16⅛	8½	AcmeC	.40	3.4		26	11⅞	11⅝	11⅞	+ ¼
10½	6⅝	AcmeE	.32b	4.5	22	11	7⅛	7	7⅛	– ⅛
20	14⅛	AdaEx	2.93e	18.		88	16	15⅞	15⅞	– ⅛
19¾	6⅞	AdamMl	.24	1.5	13	35	15½	15¼	15¼	– ¼
24⅞	7½	AMD				4749	16½	16⅛	16⅛	+ ⅛
56¾	29¾	AMD pf	3	7.0		14	43	43	43	+ ¼
11⅞	4⅝	Adobe			12	25	7⅝	7½	7⅝	+ ⅛
20¾	16¼	Adob pf	1.84	10		37	18	18	18	
21¾	17½	Adob pf	2.40	11.		17	21½	21⅛	21⅛	+ ⅛
13½	5⅞	Advest	.12	1.8	9	561	6⅝	6⅜	6⅝	+ ¼
64¼	39½	AetnLf	2.76	6.2	6	1460	44⅞	44⅜	44½	
41¾	20½	AflPb s	.20	.7	47	893	28⅛	27⅞	28	+ ¼
23¾	13	Ahmans	.88	5.8	10	1466	15½	15⅛	15¼	– ⅜
4	1¾	Aileen				47	3¼	3⅛	3⅛	+ ⅛
53⅞	29	AirPrd	1.20	2.4	14	1339	50	49⅛	49⅛	– ¾
33¾	11⅛	AirbFrt	.60	3.2	25	86	19	18⅞	18⅞	– ⅛
16½	6⅞	Airgas			19	162	15⅝	15⅛	15⅛	– ¼
20	13½	Airlease	2.30	12.	10	26	19⅛	19	19⅛	
9⅞	7⅝	AlaP dpf	.87	9.4		66	9¼	9¼	9¼	+ ⅛

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High
21	6½	BritP wt				50	8
18⅞	12⅞	BrtPt pp	2.03e	16.		1302	13
50	35	BritTel	1.94e	4.5	10	5	43⅛
32½	16½	BHP n	.96e	3.6	13	59	26
26⅞	18⅝	BklyUG	1.72	7.2	10	79	24
29	26½	BkUG pf	2.47	9.0		20	27
19¾	12½	BwnSh	.40b	2.6		60	15
43⅞	26⅝	BrwnGp	1.56	4.8	13	182	32½
35¾	17½	BrwnFr	.48	2.0	18	2834	24
30¼	10¾	Brnwk	.44	2.1	10	3189	20
42	19	BrshWl	.64	2.2	20	33	29
26¼	17¾	Buckeye	2.20	10.	7	70	21
20¾	16¼	BunkrH	1.76	10.		10	17
18	12¼	BKInv	1.88	13.	11	24	16
28¾	12	BurlnCt			11	87	20
84¼	40	BrlNth	2.20	3.2	13	1407	68
8⅞	8	BrNo pf	.55	6.8		18	8
		BrlRsc n				43086	25
20⅞	9⅝	Burndy			12	804	12
15⅞	6½	Businld			19	275	12
		– C–C–C –					
31⅞	16	CBI In	.60	2.0	58	112	30
228¼	140½	CBS	3	1.9	18	516	160
5⅞	2⅝	CCX				11	3
69½	41¼	CIGNA	2.96	6.4	7	955	46
6⅞	2	CLC n			10	51	6
32½	12	CML n			13	84	23
22¼	10½	CMS En			6	788	21
66½	47	CNA Fn			8	275	55
12⅞	9¼	CNAI	1.24	11.	9	33	11
44½	16¼	CNW			19	1644	28
38½	19	CNW pf	2.12	7.9		280	27
58½	26	CPC	1.44	3.2	10	5682	46
33¼	22⅞	CP Ntl	1.68	6.0	12	85	28

Continued on Page 33

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued from Page 32

AMEX COMPOSITE PRICES

Closing prices 8th July 1988

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

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OVER-THE-COUNTER

Nasdaq national market, Closing prices July 8

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 31

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

A difficult week for not stating the obvious

BY COLIN MILLHAM

A COMPETITION begins today for all market analysts with input screens on Reuter Monitor, Telerate, or any other system.

There are no prizes, but the name of the game is to be the last to mention the fact that financial markets are adopting a wait and see attitude ahead of the US trade figures on Friday.

It is fair to say that the economic forecasting network in New York and London expects a deterioration from the surprisingly low April trade deficit of $9.9bn. The median forecast for the May deficit, according to a survey by MMS International, is $11bn.

The market will probably be relatively content if the deficit remains under $12bn, but it remains to be seen whether the dollar can improve on its recent performance.

The dollar has been above Y135 this month, and it does not seem to be out of the question that it could reach Y140 in the short term, but there is a strong body of opinion looking for another weakening of the currency in the longer term.

County NatWest believes the dollar may fall below Y120 at some time in the last quarter of the year, and will decline to around Y115 in the first quarter of next year.

A rise of 346,000 in June US non farm employment came as something of a shock on Friday. Forecasts were in the region of 225,00, and the larger than expected rise led to speculation the Federal Reserve may become concerned about the inflationary implications.

The possibility of tighter US monetary policy, and a rise in interest as a result, boosted the dollar as the week drew to a close.

Mr Rupert Thompson, international economist at Morgan Grenfell, said the market had probably over-reacted to the employment news. He noted that Mr Alan Greenspan, chairman of the Federal Reserve Board, testifies before the Senate Banking Committee on Wednesday, and will probably say the Fed has already tightened its monetary stance sufficiently since the beginning of the year.

There remains considerable uncertainty about the economic picture on both sides of the Atlantic.

In London this week attention will focus on the outlook for inflation.

The main figures of interest will be today's producer price index for June and Thursday's figure on average earnings for May.

There is concern that the rising cost of commodities will combine with a strong rise in average earnings to put upward pressure on inflation.

County NatWest expects a rise of 2.2 p.c. in seasonally adjusted input producer prices, compared with 2 p.c. in May, with Warburg Securities looking for 2.1 p.c., but Phillips and Drew believes the rise could be as low as 0.6 p.c.

The increase in average earnings will be unchanged at 8¾ p.c., in May according to Warburg Securities; Phillips and Drew; and Nomura Research Institute, but rise to 9 p.c., on the calculations of County NatWest.

Mr Nigel Richardson, an economist at Warburg Securities, said he thought average earnings will be shown to have risen by 9 p.c. in June, as a result of the nurses pay award.

With the markets already worried about the implications of high bank lending on inflation, any bad news about commodity prices and the level of earnings, could be seen as the herald of yet another rise in UK bank base rates.

£ IN NEW YORK

July 8	Close	Previous Close
£ Spot	1.6990-1.7000	1.7115-1.7125
1 month	0.31-0.30pm	0.30-0.29pm
3 months	0.94-0.92pm	0.87-0.85pm
12 months	3.18-3.10pm	2.95-2.87pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 8	Previous
8.30 am	75.3	75.4
9.00 am	75.3	75.4
10.00 am	75.2	75.4
11.00 am	75.3	75.5
Noon	75.3	75.4
1.00 pm	75.3	75.4
2.00 pm	75.2	75.4
3.00 pm	75.2	75.4
4.00 pm	75.2	75.4

CURRENCY RATES

July 8	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.765917	0.666170
U S Dollar	6	1.31508	1.13982
Canadian $	8.75	1.58467	1.37337
Austrian Sch	3½	16.8054	14.6170
Belgian Franc	6¾	50.0224	43.5040
Danish Krone	7½	9.06945	7.89152
Deutsche Mark	3	N/A	2.07789
Neth Guilder	3½	2.69000	2.33947
French Franc	9½	8.04303	6.99164

*All SDR rates are for July 7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 8
Belgian Franc	42.4582	43.5040
Danish Krone	7.85212	7.89152
German D-Mark	2.05853	2.07789
French Franc	6.90403	6.99164
Dutch Guilder	2.31943	2.33947
Irish Punt	0.768411	0.773596
Italian Lira	1483.58	1539.04

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

July 8	Day's spread	Close
US	1.6995-1.7125	1.7015-1.7025
Canada	2.0565-2.0685	2.0595-2.0605
Netherlands	3.50¾-3.52¾	3.51¾-3.52¾
Belgium	65.05-65.40	65.20-65.30
Denmark	11.82¾-11.86½	11.85¼-11.86¼
Ireland	1.1585-1.1650	1.1615-1.1625
W Germany	3.11½-3.13	3.12½-3.13
Portugal	252.45-254.35	252.45-253.45
Spain	205.90-206.50	206.00-206.50
Italy	2307¾-2316¼	2315½-2316½
Norway	11.28-11.32¾	11.31¾-11.32¾
France	10.47¾-10.52¾	10.51¾-10.52¾
Sweden	10.71½-10.74¼	10.72¾-10.73¾
Japan	226¾-227¼	226¾-227¼
Austria	21.85-21.95	21.85-21.90
Switzerland	2.59-2.60¼	[illegible]

Belgian rate is convertible francs. Financial franc 65.70-65.80. Six-month forward dollar 3.17-3.07pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

OTHER CURRENCIES

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7020	1.6989	1.6927	1.6840	1.6708
D-mark	3.1275	3.1130	3.0847	3.0442	2.9700
French Fr.	10.523	10.521	10.519	10.512	10.510
Swiss Fr.	2.6025	2.5885	2.5615	2.5210	2.4464
Yen	226.75	225.66	223.56	220.50	214.96

MONEY MARKETS

Discount houses take a relaxed view

LONDON'S FINANCIAL markets will be looking closely at this week's figures on UK producer prices and average earnings for any sign that the figures could lead to further upward pressure on bank base rates.

Last week was very calm as far as the London money market was concerned. Credit shortages were on a relatively small scale, and were so easy to finance that the discount houses had little need to rely on the Bank of England for assistance.

Uncertainty in the market about the future economic picture has discouraged the discount houses from holding more eligible bills than are required under Bank of England rules. There has therefore been no strong wish to sell paper, while another result of the uncertainty has been that financial institutions have kept money in the short end of the money market, rather than look for longer term investments.

The houses have had no problem in finding lenders of overnight money, to finance their relatively small books, and at the same time the banks are required to hold a certain level of reserve assets, which includes money lent to the discount houses.

The relaxed attitude of the houses towards borrowing has driven down the price they are prepared to pay for reserve money, and resulted in funding at below the prevailing interbank rate. It has also meant the houses have not found it necessary to wait for assistance from the Bank of England.

UK clearing bank base lending rate
10 per cent
from July 4

FT LONDON INTERBANK FIXING

(11.00 a.m. July 8) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 8	bid 8¹⁄₁₆	offer 8³⁄₁₆

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	9.00	One month	6.02	Three year	8.41
Broker loan rate	8¾-½	Two month	6.33	Four year	8.55
Fed. funds	7½	Three month	6.86	Five year	8.65
Fed. funds at intervention	7¹⁄₁₆	Six month	7.33	Seven year	8.90
		One year	7.76	10-year	9.04
		Two year	8.26	30-year	9.10

LONDON MONEY RATES

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of stocks per grouping	FRIDAY JULY 8 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY JULY 7 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (89)	145.90	+0.4	127.09	121.47	3.67	145.31	125.43	120.23	150.35	91.16	143.53
Austria (16)	86.16	-0.8	75.06	81.92	2.54	86.83	74.95	81.93	98.18	83.72	86.40
Belgium (63)	117.76	-0.8	102.58	112.24	4.50	118.72	102.48	111.99	139.89	99.14	125.38
Canada (129)	128.00	-0.3	111.49	112.10	3.00	128.38	110.82	112.02	128.91	107.06	136.03
Denmark (39)	129.46	-1.2	112.77	122.68	2.37	131.02	113.10	122.87	132.72	111.42	114.71
Finland (26)	128.87	-0.1	112.25	117.67	1.46	128.98	111.34	117.18	139.53	106.78	-
France (130)	97.88	-1.3	85.26	94.93	3.41	99.18	85.62	95.10	99.62	72.77	109.64
West Germany (100)	77.83	-0.3	67.80	74.35	2.50	78.07	67.39	73.73	80.79	67.78	96.14
Hong Kong (46)	110.99	+0.1	96.68	111.36	4.11	110.86	95.70	111.20	110.99	84.90	127.98
Ireland (18)	136.53	-0.7	118.93	131.36	3.61	137.56	118.74	130.96	141.54	104.60	140.97
Italy (102)	70.65	-1.5	61.54	71.81	2.80	71.76	61.94	72.13	81.74	62.99	94.71
Japan (456)	163.73	-0.4	142.62	137.85	0.52	164.43	141.93	136.88	177.27	133.61	134.69
Malaysia (36)	145.67	+0.4	126.89	146.85	2.50	145.03	125.20	146.18	153.14	107.83	182.52
Mexico (13)	167.87	+0.4	146.22	419.38	1.30	167.18	144.31	417.66	180.07	90.07	274.44
Netherland (38)	105.27	-0.7	91.70	99.43	4.65	105.96	91.47	98.87	110.66	95.23	125.64
New Zealand (21)	79.82	+1.2	69.53	61.92	5.77	78.87	68.09	60.65	84.05	64.42	104.13
Norway (25)	120.45	-1.2	104.92	108.76	2.77	121.90	105.23	109.12	132.23	98.55	147.09
Singapore (26)	122.91	-0.2	107.06	115.83	2.23	123.20	106.35	115.88	125.56	97.99	156.58
South Africa (60)	127.06	+0.8	110.68	96.93	4.53	126.09	108.85	96.31	139.07	118.10	170.85
Spain (43)	150.46	-0.9	131.06	138.26	3.19	151.78	131.02	138.32	164.47	130.73	125.30
Sweden (35)	118.95	-0.6	103.61	110.98	2.57	119.63	103.27	110.86	125.50	96.92	117.75
Switzerland (55)	80.66	-0.6	70.26	76.48	2.24	81.16	70.06	75.98	86.75	75.60	98.02
United Kingdom (325)	132.93	+0.2	115.80	115.80	4.31	132.72	114.57	114.57	141.18	123.09	154.96
USA (583)	110.28	-0.6	96.06	110.28	3.55	110.94	95.77	110.94	112.47	99.19	125.89
Europe (1015)	107.01	-0.4	93.22	98.23	3.66	107.42	92.73	97.61	110.82	97.01	125.00
Pacific Basin (674)	160.85	-0.4	140.11	135.94	0.72	161.46	139.38	134.98	172.26	130.81	134.77
Euro-Pacific (1689)	139.34	-0.4	121.37	120.88	1.63	139.87	120.74	120.06	147.53	120.36	130.92
North America (712)	111.23	-0.6	96.89	110.41	3.51	111.87	96.57	111.03	113.29	99.78	126.48
Europe Ex. UK (690)	90.88	-0.8	79.17	87.31	3.10	91.65	79.11	87.08	92.99	80.27	105.17
Pacific Ex. Japan (218)	126.21	+0.3	109.94	112.01	3.82	125.79	108.59	111.17	128.15	87.51	135.79
World Ex. US (1891)	138.85	-0.4	120.95	120.49	1.70	139.36	120.30	119.69	146.49	120.26	131.62
World Ex. UK (2149)	127.28	-0.5	110.87	117.04	2.10	127.92	110.42	116.84	131.77	111.77	126.66
World Ex. So. Af. (2414)	127.77	-0.4	111.30	117.05	2.29	128.34	110.79	116.76	132.39	113.26	129.09
World Ex. Japan (2018)	110.54	-0.4	96.29	106.33	3.59	111.04	95.85	106.40	112.43	100.00	126.84
The World Index (2474)	127.77	-0.4	111.30	116.92	2.31	128.33	110.78	116.62	132.38	113.37	129.35

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).

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